HE CASE
AINST THE
LOBAL
CONOMY

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The greatest political debate of our time is about t rush towards a single global economy, its conseque jobs, democracy, human well-being and cultural diver its impact on the natural world that sustains us.

Its effects will be profound and irreversible, but glob itself is not inevitable. In *The Case Against the Global* twenty-four leading economic, agricultural, cultu environmental authorities, drawn from across the world, argue that free trade and economic gloablization are producing exactly the opposite results to those promised. From a detailed analysis of the new global economy, its structures and its full social and ecological implications, they show how it is undermining our liberty, our security and our well-being, and is devastating the planet.

First published in the USA in 1996, in an edition focused on North America, the book won the American Political Science Association award for the 'Best Book in Ecological and Transformational Politics'. This completely revised and updated international edition presents a passionate and persuasive case for the need to reverse course, away from globalization and towards a revitalized democracy, local self-sufficiency and ecological health.

Edward Goldsmith is the founder of *The Ecologist*, Europe's leading environmental magazine, and author of numerous books, including *A Blueprint for Survival*, *A Stable Society* and *The Way: An Ecological Worldview*. He is also a member of the International Forum on Globalization.

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Edward Goldsmith and Jerry Mander
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Contents

Acronyms and Abbreviations

ACEA	European Automobile Manufacturers' Association
ADB	Asian Development Bank
ADM	Archer Daniels Midland
AID	Agency for International Development (US)
AMS	aggregate measure of support
AOA	Agreement on Agriculture (WTO)
ATM	automated teller machine
BGH	bovine growth hormone
BP	British Petroleum
BSE	bovine spongiform encephalopathy
BTU	British thermal unit
CAFE	Corporate Average Fuel Economy (US)
CD	compact disc
CEO	chief executive officer
CES	Centre for Environment and Society (UK)
CFC	chlorofluorocarbon
CHIPS	New York Clearing House Interbank Payment System
CITES	Convention on International Trade in Endangered Species
CO_2	carbon dioxide
CSA	community-supported agriculture
CSI	Coalition of Service Industries (US)
CWS	Cooperative Wholesale Society (UK)
DDT	dichlorodiphenyltrichloroethane
DETR	Department of the Environment, Transport and the Regions (UK)
ECA	US export-credit agency
EEC	European Economic Community
EGAT	Thailand State Electricity Corporation
EPA	Environmental Protection Agency (US)
ERBD	European Bank for Reconstruction and Development
ESAF	extended structural adjustment facility
ESN	European Services Network
EU	European Union
Ex-Im	Export-Import Bank
FABBL	Farm Assured British Beef and Lamb
FABPIG	Farm Assured British Pigs
FAO	Food and Agriculture Organization (UN)
FDA	Food and Drug Administration (US)
FDI	foreign direct investment
FDIC	Federal Deposit Insurance Corporation (US)
FTZ	free-trade zone
FIFRA	Federal Insecticide, Fungicide and Rodenticide Act
FoE	Friends of the Earth
GAO	General Accounting Office (US Congress)
GAST	General Agreement for Sustainable Trade
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GM	General Motors
GM	genetically modified
GMO	genetically modified organism
GNP	gross national product
GPI	genuine progress indicator
IAFS	Integrated Arable Farming System
ICM	Integrated crop management
IFCT	Thailand Industrial Finance Corporation
IFG	International Forum on Globalization
ILSR	Institute for Local Self-Reliance (US)
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IPR	intellectual property rights
IPS	Institute for Policy Studies
IRS	Internal Revenue Service (US)
LEAF	linking environment and farming
LETS	local exchange trading system
MAI	multilateral agreement on investment
MEA	multilateral environmental agreement
MJ	megajoule
MMPA	Marine Mammal Protection Act (US)
NAFTA	North American Free Trade Agreement
NESDB	Thailand National Economic and Social Development Board
NFU	National Farmers' Union (US)
NIC	newly industrialized country
NGA	National Gardeners' Association (US)
NGO	non-governmental organization
NLC	National Labour Committee (US)
ODA	Overseas Development Agency (UK)
OECD	Organization for Economic Cooperation and Development

OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
PC	personal computer
PCB	polychlorinated biphenyl
PER	public expenditure review
PPM	process and production method
PR	public relations
PYO	pick your own
R&D	research and development
rBGH	recombinant bovine growth hormone
RCRA	Resources Conservation and Recovery Act
RRS	'Roundup Ready' soybean
RTK	revenue ton-kilometre
S&L	savings and loans
SAL	structural adjustment loan
SAP	structural adjustment programme
SPS	sanitary and phytosanitary measures
TABD	Transatlantic Business Dialogue
TBAG	Times Beach Action Group (US)
TBT	technical barriers to trade
TED	turtle exclusion device
TNC	transnational corporation
TOES	the other economic summit
TRIP	Trade-Related Intellectual Property Right
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States
USDA	US Department of Agriculture
USAID	United States Agency for International Development
VCR	video cassette recorder
WHO	World Health Organization
WI	Women's Institute (UK)
WLO	World Localization Organization
WTO	World Trade Organization

Introduction: Facing the Rising Tide

Jerry Mander

The first goal of this book is to help clarify the form of what is being called the *global economy* and to show how the rush toward globalization is likely to affect our lives. The second goal is to suggest that the process must be brought to a halt as soon as possible and reversed.

. . .

Economic globalization involves arguably the most fundamental redesign of the planet's political and economic arrangements since at least the Industrial Revolution. Yet despite the scale of the global reordering, neither our elected officials nor our educational institutions nor the mass media have made a credible effort to describe what is being formulated or to explain its root philosophies.

Descriptions and predictions about the global economy that *are* found in the media usually come from leading advocates and beneficiaries of this new order: corporate leaders, their allies in government and a newly powerful centralized global trade bureaucracy. The visions they have offered us are unfailingly positive, even utopian: globalization will be a panacea for our ills.

Shockingly enough, the euphoria they express is based on their freedom to deploy, at a global level – through global free trade rules and through the deregulating and restructuring regimes – large-scale versions of the economic theories, strategies and policies that have proven spectacularly unsuccessful over the past several decades wherever they've been applied. In fact, these are the very ideas that have brought us to the grim situation of the moment: the spreading disintegration of the social order and the increase of poverty, landlessness, homelessness, violence, alienation and, deep within the hearts of many people, extreme anxiety about the future. Equally important, these are the practices that have led us to the near breakdown of the natural world, as evidenced by such symptoms as global climate change, ozone depletion, massive species loss, and near maximum levels of air, soil and water pollution.

We have been asked to believe that the development processes that have further impoverished people and devastated the planet will lead to diametrically different and highly beneficial outcomes, if only they can be accelerated and applied everywhere, freely, without restriction – that is, when they are *globalized*.

That's the bad news. The good news is that it is not too late to change course.

The 'Rising Tide'

The passage in 1995 of the Uruguay Round of GATT (the General Agreement on Tariffs and Trade), with its associated WTO (World Trade Organization), was celebrated by the world's political leadership and transnational corporations (TNCs) as a sort of global messianic birth. They claimed that these new arrangements would bring on a global economic order that would produce a US$250 billion expansion of world economic activity in a very short time, with the benefits 'trickling down' to us all. The dominant political–economic homily has become 'the new rising tide will lift all boats'.

Indeed, the global economy is new, but less so in form than in scale: the new global rules by which it now operates; the technologically enhanced speedup of global development and commerce that it facilitates; and the abrupt shift in global political power that it introduces. Surely, it is also new that the world's democratic countries voted to suppress their own democratically enacted laws in order to conform to the rules of the new central global bureaucracy. Also new is the elimination of most regulatory control over global corporate activity and the liberation of currency from national controls, which lead, in turn, to what Richard Barnet and John Cavanagh describe as the *casino economy*, ruled by currency speculators. It also helped bring on the terrible 1998 global economic crisis.

But the deep ideological principles underlying the global economy are not so new. They are the very principles that have brought us to the social, economic and environmental impasse we are in. They include the primacy of economic growth; the need for free trade to stimulate the growth; the unrestricted 'free market'; the absence of government regulation; and voracious consumerism combined with an aggressive advocacy of a uniform worldwide development model that faithfully reflects the Western corporate vision and serves corporate interests. The principles also include the idea that all countries – even those whose cultures have been as diverse as, say, Indonesia, Japan, Kenya, Sweden and Brazil – must sign on to the same global economic model and row their (rising) boats in unison. The net result is *monoculture* – the global homogenization of culture, lifestyle and level of technological immersion, with the corresponding dismantling of local traditions and economies. Soon, every place will look and feel like every place else, with the same restaurants and hotels, the same clothes, the same malls and superstores and the same streets crowded with cars. There'll be scarcely a reason ever to leave home.

. . .

Many elements of this formula have been at work for a long while, with devastating effect, as several of the chapter authors report. And my coeditor, Edward Goldsmith, argues that all of these ideological principles amount to little more than rationalizations for a new kind of corporate colonialism, visited upon poor countries and the poor in rich countries.

But does this system work? Will the promised economic expansion actually happen? If so, can it sustain itself? Where will the resources – the energy, the wood, the minerals, the water – come from to feed the increased growth? Where will the effluents of the process – the solids and the toxics – be dumped? Who benefits from this? Who will benefit most? Will it be working people who, in the US at least, seem mainly to be losing jobs to machines and corporate flight? Will it be farmers who, thus far, whether in Asia, Africa or North America, are being manoeuvred off their lands to make way for huge corporate monocultural farming – no longer producing diverse food products for local consumption but coffee and beef for export markets with their declining prices? Will it be city dwellers, now faced with the immigrant waves of the newly landless peoples desperate to find, someplace, the rare and poorly paid job? And what of the ecological results? Can ever-increasing consumption be sustained forever? When will the forests be gone? How many cars can be built and bought? How many roads can cover the land? What will become of the animals and the birds. Does anyone care about that? Is this a better life? Is all the destruction worth the result? Are we – as individuals, as families and as communities and nations – made more secure, less anxious, more in control of our destinies? Can we possibly benefit from a system that destroys local and regional governments while handing real power to faceless corporate bureaucracies in Geneva, Tokyo and Brussels? Will people's needs be better served from this? Is it a good idea or a bad one? Do we want it? If not, how do we reverse the process?

The German economic philosopher Wolfgang Sachs argues in his book *The Development Dictionary* that the only thing worse than the failure of this massive global development experiment would be its success. For even at its optimum performance level, the long-term benefits go only to a tiny minority of people who sit at the hub of the process and to a slightly larger minority that can retain an economic connection to it, while the rest of humanity is left groping for fewer jobs and less land, living in violent societies on a ravaged planet. The only boats that will be lifted are those of the owners and managers of the process; the rest of us will be on the beach, facing the rising tide.

The Failure of the Media

The authors who contributed to this book comment on all the issues raised above: the impacts of globalism, the theories underlying it, and the 'engines' that drive it. They also explore alternatives. But it's worth mentioning first of all that it's a failure of our media that a book such as this is even necessary. Our society has been methodically launched onto a path to we know not where, and the people who are supposed to shed light on events that affect us have neglected to do so.

From time to time, the mass media do report on some major problem of globalization, but the reporting rarely conveys the connections between the specific crises they describe and the root causes in globalization itself. In the area of environment, for example, we read of changes in global climate and occasionally of their long-term consequences, such as the melting polar ice caps (the *real* rising tide), the expected staggering impacts on agriculture and food supply or the destruction of habitat. We read, too, of the ozone layer depletion, the pollution of the oceans or the wars over resources such as oil and, perhaps soon, water. But few of these matters are linked directly to the imperatives of global economic expansion, the increase of global transport, the overuse of raw materials or the commodity-intensive lifestyle that corporations are selling worldwide via the culturally homogenizing technology of television and its parent: advertising. Obfuscation is the net result.

I personally have had some harsh direct experience of this obfuscation. While working with Public Media Center in the runup to the vote on GATT and the WTO, my colleagues and I were preparing educational ads about the environmental consequences of this vote, particularly its 'sabotaging' effect on existing major environmental laws. We collaborated on the project with 25 environmental groups who signed the ad, among them the Sierra Club, Public Citizen, Friends of the Earth (FoE) and Rainforest Action Network. The groups felt the campaign was important precisely because the media had carried so few stories about environmental opposition to globalization. Instead, news stories tended to lump all opponents together under the single dismissive label of *protectionist.*

One week after our first ad finally appeared in the *New York Times*, a report in *Newsweek* magazine advised its readers that the advertisement was not really from the environmental community at all; it was secretly funded by labour union 'protectionists'. In outrage, Public Media Centre's executive director, Herb Chao Gunther, immediately responded to *Newsweek* and finally got the magazine to run a small corrective notice. But the damage was done. A good opportunity to broaden the public's thinking about economic globalization was undermined. In this book we attempt to counter this appalling failure of the media to cover the environmental consequences of globalization. We offer two articles by Simon Retallack on these themes, and further details from Lori Wallach, Alexander Goldsmith and Vandana Shiva.

Other examples of serious media misunderstanding include the coverage of the Barings Bank debacle of 1995, the Mexican financial crises of 1994–95 or the global financial crisis of 1998. Rarely has any medium made clear the role that the new global computer networks play in creating the capability for *instantaneous* transfer anywhere on the planet of astounding amounts of money.

Nor do the media describe the consequences of deregulating financial speculation or the role that the World Bank and the International Monetary Fund (IMF) play in creating the conditions that encouraged such speculation. For example, the Mexican story was carried in the US press as if the US' 'bailout of Mexico' was some kind of do-gooder act on the part of the US; good neighbours coming to the aid of our Mexican friends. In fact, the main people bailed out were Wall Street investors who, with the direct complicity of the World Bank and the IMF, largely brought on the crises in the first place. For middle-class and working-class Mexicans, the bailout was devastating, and that story has yet to be told by the mass media.

Most media continue to characterize *all* opposition to free trade as being virtually in the same category as those who still believe in a flat earth. And just as the tens of thousands of environmentalists who oppose GATT and the WTO are dismissed as 'protectionists', to be ignored, the press has also ignored the important fact that opposition to globalization cuts across all parties, including human rights advocates, small farmers, small businesspeople, groups concerned with immigrant rights or indigenous rights, advocates of democracy, as well as labour and many other categories of people who believe in an equitable, environmentally sustainable society.

The media have also passively accepted the cynical statements of the heads of the WTO, the World Bank and the IMF that they are mainly in business to help the world's poor. A notable example of this came during April 2000, while protestors were attempting to shut down the meetings of the World Bank and IMF in Washington, DC. The institutions issued daily statements about how protestors were actually the *enemies* of the poor, which the major media of the world dutifully passed on to their readers. And yet, simultaneous to the Washington bank meetings, the world's less developed countries, the G-77 nations, were meeting in Havana and issued a unanimous statement in praise of the protestors and against the Bank and the IMF. The *International Herald Tribune* carried the opposing statements side by side on its front page, but no American papers carried the Havana statement at all, and few European publications did, leaving the distorted official view intact.

As for reporting on the concrete social and environmental impacts of the rules of the WTO, little has been done. (In this book, however, we present several detailed descriptions of the effects of the WTO rules, especially in chapters on the WTO by Lori Wallach and Agnes Bertrand.)

Some publications have stories about 'corporate greed' as expressed by the firing of thousands of workers while corporate profits soar and top executive salaries are being raised to unheard-of levels. Even these stories, however, rarely mention the crucial point that the new corporate restructuring is essential for assuring competitiveness within the context of the global economy, and that it is happening all over the world. Obfuscation yet again.

In the autumn of 1995, the international press carried reports on the paralysing strike by hundreds of thousands of French railway and other public service workers. Most reports described the workers as trying to protect their privileges, benefits and jobs against government cutbacks. True enough. But the stories left out that the cutbacks were mandated by the rules of Europe's Maastricht 'single currency' agreement, itself part of the corporatizing, homogenizing and globalizing of Europe's economic system to make it compatible and competitive globally.

The media also report daily about the immigration crises, about masses of people trying to cross borders in search of jobs, only to be greeted by xenophobia, violence and demagoguery in high places. But the role that international trade agreements play in making life impossible for people in their countries of origin is not mentioned in such reports. The North American Free Trade Agreement (NAFTA), for example, was a virtual knockout blow to the largely self-sufficient, small corn-farming economy of Mexico's indigenous peoples – as the Zapatista rebels pointed out only too convincingly in 1994 – making indigenous lands vulnerable to corporate buyouts and foreign competition from the US. Meanwhile, in India, Africa, South-East Asia and South America, similar World Bank development schemes over the past few decades have deliberately displaced whole populations of relatively well-off peoples, including small-scale self-sufficient farmers, to make way for giant dams and other megadevelopment schemes. The result of such 'development' is that millions of small farmers are turned into landless refugees seeking non-existent urban jobs.

Now and then we see media reports on food shortages, yet rarely is the connection drawn between hunger and the increased control of the world's food supply by a small number of giant (subsidized) corporations, notably Cargill, which effectively determines where food will grow, under what conditions it will grow and what ultimate price consumers will pay. The food, rather than being eaten by local people who grow it, is now typically shipped thousands of miles (at great environmental cost) to be eaten by the already well fed.

Horrible new disease outbreaks are very thoroughly reported with ghoulish relish in the Western press. The part that is omitted, however, is the connection between these outbreaks and the destruction of the rainforest and other habitats. As economic expansionism proceeds, previously uncontacted organisms hitch rides on new vectors for new territory.

We also read stories about the 'last indigenous tribes' in the Amazon, Borneo, Africa or the Philippines – stories that lament the inevitability that native people, even against their clearly articulated wishes, even against the resistance of arrows and spears, must be drawn into the Western economic model to benefit from our development plans. Insufficiently reported are the root causes of this: the demands of economic growth for more water or forest resources; the desperate need for new lands for beef cattle, coffee or timber plantations; the equally desperate need to convert previously self-sufficient people into consu...

the belief in an almost God-given right to expand and colonize. This, too, is part of the globalization project, the homogenization of our conceptual frameworks, the monoculturalization of people and lands which Helena Norberg-Hodge so artfully describes in the case of Ladakh. The point is further amplified by Martin Kohr's eloquent recitation of the effects of economic globalization in the developing world and in the industrial world.

As for the role of technology, the powers-that-be continue to speak of each new generation of technological innovation in the same utopian terms they used to describe each preceding generation, going back to the private automobile, plastics and 'clean nuclear energy', each introduced as panaceas for society. Now we have global computer networks that are said to 'empower' communities and individuals, when the exact opposite is the case. The global computer–satellite linkup, besides offering a spectacular new tool for financial speculation, empowers the global corporation's ability to keep its thousand-armed global enterprise in constant touch, making instantaneous adjustments at the striking of a key. As we will see later, computer technology may actually be the most centralizing technology ever invented, at least in terms of economic and political power. This much is certain: the global corporations of today could not exist without the electronic computer web. This technology makes globalization possible by conferring a degree of control beyond anything ever seen before.

Meanwhile, new technologies such as biotechnology bring the development framework to entirely new terrain by enabling the enclosure and commercialization of the internal wilderness of the gene structure, the building blocks of life itself. The invention and patenting of new life forms, from cells to insects to animals to humans, will have profound effects on developing world agriculture, ecology and human rights, as Vandana Shiva describes in Chapter 18.

As for reportage about the corporate conglomerates and transnationals that have become the centres of global power, the determinants of political process and the unifiers of global consciousness, the media tend to treat corporate figures mainly as subjects of gossip, like glamorous movie stars, athletes or politicians. The media speaks respectfully of the new language of corporate consolidation – 'structural engineering', 'downsizing' and 'efficiency' – without attempting to present such activities within their wider economic, social and ecological context. Yet such terms are today euphemistic. *Efficiency* today really means replacing workers with machines; *competitiveness* means lowering wages to match low-wage foreign competitors; *flattening of the corporate structure* means eliminating middle managers' jobs and effectively spreading well-justified social anxiety from the inner cities to the heart of the suburbs.

The point is this: all of the subjects are treated by the media, government officials and corporations alike as if they were totally unrelated. This is not helpful to an insecure public that is trying to grasp what's happening and what might be ...

– overcrowded cities, unusual new weather patterns, the growth of global poverty, the lowering of wages while stock prices soar, the elimination of local social services, the destruction of wilderness, even the disappearance of songbirds – is the product of the same global policies. They are all of one piece, a fabric of connections that are ecological, social and political in nature. They are reactions to the world's economic–political restructuring in the name of accelerated global development. This restructuring has been designed by economists and corporations and encouraged by subservient governments; soon it may be made mandatory by international bureaucrats, who are beyond democratic control. All claim that society will benefit from what they are doing. But we don't think so.

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We are trained to believe that our economic system operates on a rational basis on our behalf and that the people in charge have benevolent motives and know what they are doing. I have doubted that for a while, and on this point the newspapers, inadvertently perhaps, do expose the conflicting realities that come at us like Orwellian econometric doublespeak.

One basic thing is certain. During the past few decades, the gap between rich and poor just about everywhere has been increasing rather than decreasing.

The United Nations *Human Development Report 1999* confirmed the growing inequality *between* countries and *within* countries and directly blamed economic globalization for the trend.

What is also increasing, however, is the power of the largest corporations and the wealthiest people. Such is the degree of concentration of wealth that right now the world's 475 billionaires are collectively worth the combined incomes of the bottom 50 per cent of humanity. And of the largest one hundred economies in the world, 52 are now corporations. Mitsubishi is the 22nd largest economy in the world, General Motors the 26th, Ford the 31st. Each is larger than the economies of Denmark, Thailand, Turkey, South Africa, Saudi Arabia, Norway, Finland, Malaysia, Chile and New Zealand, to name only a few.

Even in the US, which has benefited disproportionately from globalization, the same trends are apparent. A *New York Times* report on 17 April 1995 explained that the period of most rapid economic growth in the US (the 1960s to the 1990s), which also ushered in the period of rapid corporate and economic deregulation and the most aggressive promotion of 'free' trade, also saw a widening gap between rich and poor.

The *Times* quotes the Federal Reserve: 'Figures from 1989, the most recent available, show that the wealthiest 1 per cent of US households, with a net worth of at least US$2.3 million each, own nearly 40 per cent of the nation's wealth. Further down the scale, the top 20 per cent of American households, worth US$180,000 or more, have more than 80 per cent of the country's wealth, a higher figure than in other industrial nations. Income statistics are similarly skewed.'

If this is a rational process, it rationalizes a staggering inequality of benefit. To make matters worse, for most people, social services for the poor and the middle class have been assaulted as never before under the same ideological banner of 'free market' or 'free trade', which produced the skewed figures just mentioned. This dismantling of services within the US amounts to an internal *structural adjustment* comparable to the infamous IMF and World Bank structural adjustment programmes that have been imposed on developing world countries ever since the 1980s' debt crises and have produced horrifying social and ecological results. Walden Bello tells us more about those in Chapter 10. In addition, Alexander Goldsmith points out that the whole world is now being redesigned into a single 'free trade zone'. England is already advertising globally how its wage levels are decreasing in an effort to encourage foreign investors. The elimination of tariffs, minimum wage laws and local social services are all symptoms of the same scheme. The goal everywhere is the same: free all economic resources to serve the needs of corporations, not people or the environment.

Flawed Paradigms

All of these problems must be seen as *systemic* since many of the principal paradigms by which this system explains its choices and its behaviour are fatally flawed. For example, it is clearly a preposterous idea that an economic system based on limitless growth can be supported on a finite Earth. A system that feeds on itself cannot keep eating forever.

As for free trade itself, David Morris shows how the only thing 'free' about it is the freedom it provides corporate players to deprive everyone else of their freedoms, including the freedom previously enjoyed by democratic nations to defend their domestic economies, their communities, their culture and their natural environment.

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Economic philosopher and activist Susan George, together with Fabrizio Sabelli, have argued against the idea popular in some circles that a global conspiracy is at the root of the disastrous direction in which global economic policy is taking us in their recent book *Faith and Credit* (1994). At least insofar as the pathetic performance of global institutions such as the World Bank and the IMF is concerned, George and Sabelli put the blame more on incompetence, ideology and a virtually religious belief in the dogmas of Western development. Like religious zealots, as each new development project fails to achieve its highly advertised benefits and causes social and environmental chaos, the global economists simply move on to preparing the ground for yet another disaster, applying the same sad formulas. In their book, George and Sabelli catalogue the World Bank's predictions regarding the outcome of its policies against their real performance, one that has left poor people poorer and destroyed traditional, viable economic arrangements in the name of a fictional development utopia.

Of course, we are left to wonder how any bona fide economist, even if trained personally by Milton Friedman and even if blinded by economic zealotry, could believe that benefits would come from the World Bank's structural adjustment programme loans (SAPs). These loans are granted only to countries that agree to dismantle their economic and social structures and redesign them according to an imposed free market–free trade ideology.

Walden Bello reports in his chapter on SAPs about some of the conditions that countries typically have to accept:

1 the removal of protective tariffs, which directly endangers local industry;
2 the removal of rules controlling foreign investment, which ushers in the foreign domination of local industry;
3 the conversion of self-sufficient, small-scale diverse agriculture to corporate export-oriented monocultures, which make it more difficult for local populations to feed themselves;
4 the elimination of price controls together with the imposition of wage controls;
5 the drastic reduction in social health services;
6 the aggressive privatization of government agencies, which renders social services inaccessible to the poor; and
7 the ending of popular 'import substitution' programmes that encouraged local people to make themselves self-sufficient in food and other essential products.

Ordinary logic suggests that such formulas would only cripple a country's ability to survive, and indeed that has been the result. Many countries who accepted these interventions and who have now also accepted entry into the WTO (which has similar rules) have seen their own economies crumble and have watched as foreign transnational corporations take control over both their economies and their governments.

Why did these countries accept? In many cases, it was less a matter of faith than of force.

The roots of the trend go back to the infamous Bretton Woods conference after World War II, as David Korten points out in Chapter 2. But a more recent key moment came in 1968, when Robert McNamara became president of the World Bank. Flush from his horrendous performance in running the Vietnam War and (according to his apologetic book *In Retrospect: The Tragedy and Lessons of Vietnam*, 1995) apparently not feeling so good about himself, McNamara decided he could save his soul by saving the poor via the World Bank. He approached this task with the economist-manager's quantified viewpoint – which ignores what people really require in order to be 'saved' – and with the true believer's arrogance. 'To this day,' he wrote in his book, 'I see quantification as a language to add precision to reasoning about the world. I have always believed that the more important the issue the fewer people should be involved in the decision.' Confident of his numbers, McNamara pressed developing world countries to accept World Bank conditionalities for loans and to transform their traditional economies to maximize economic specialization and global trade. Countries that did not sign on to the globalization programme would simply be left behind.

McNamara pushed hard, and most countries felt they had little choice but to sign on. No longer 'destroying villages to save them', McNamara was destroying whole economies. Today, the countries that went along with him are saddled with silted-up megadams, useless crumbling roads to nowhere, empty high-rise office buildings, ravaged forests and fields, and the overwhelming, unpayable debt to Western bankers that makes up much of the legacy of World Bank policy from McNamara to now. Whatever destruction this man caused in Vietnam, he did more during his tenure at the World Bank. Perhaps soon we will see him apologize for that role, as well.

Mechanisms of Self-Delusion

In a London *Times* article (5 March 1994), the late James Goldsmith was quoted as saying, 'What an astounding thing it is to watch a civilization destroy itself because it is unable to re-examine the validity, under totally new circumstances, of an economic ideology'. Perhaps it is simply that economists, like other true believers, cannot see outside the framework of their own thinking. This much, at least, is definite: economists have devised the perfect measurements for gauging their own success and confirming their self-delusions.

Most important among these self-serving illusory measurements are the primary tools now used to judge economic progress: the gross national product (GNP) or gross domestic product (GDP). These measure total economic activity – that is, every monetary transaction within a nation state. By this standard, more economic activity means a healthier economy.

Negative events such as, say, the depletion of natural resources, the construction of more prisons and the manufacture of bombs are all measures of 'health' by current economic theories. Meanwhile, other incomparably more desirable activities, such as unpaid household work, child care, community service, or the production of food to be eaten and artifacts to be used rather than sold via the formal economy are, absurdly, not registered in the statistics at all. They are simply not regarded as indicators of economic health.

To illustrate the point, Edward Goldsmith likes to tell the apocryphal story of two friends who each inherit 10,000-acre tracts of adjoining forestland. Friend number one decides to do nothing with the forest, leaving it in its pristine state. Friend number two sells the trees to McMillan Bloedel Corporation, which cuts them down. He then sells the topsoil and the subsurface mining rights for minerals and coal. When that activity is exhausted, he permits the holes to be filled in with low-level toxic waste from a computer chip manufacturer and paves over the place. After that he constructs an industrial complex with a megamall and theme park, multiplex theatres, indoor swimming pools and wave machines.

Friend number one is considered odd by the community for permitting such an economic opportunity to go to waste on behalf of trees and birds. He is called idealistic and impractical.

Friend number two is considered a pillar of the community for developing the land, employing people and adding to the GNP. Exceedingly wealthy by now, he puts millions into high-tech equipment manufacture on the Mexican border and runs for public office. His slogan: 'The rising tide will lift all boats.'

The moral of the tale is clear: in the dominant view, GNP is all that matters. Development is the way. People who act to save nature are mistrusted and marginalized. Such behaviour is not beneficial by current economic standards.

American economists Ted Halstead and Clifford Cobb propose an answer for this. They have devised a new set of measurements called the genuine progress indicator (GPI), which pulls in all the social and environmental dimensions of economic activity that are left out of GNP measurements and gives real value to previously unvalued activity that benefits households, community and the natural world.

. . .

Economic globalization, of course, brings benefit to certain institutions. Tony Clarke identifies them in Chapter 5. The unprecedented scale of global corporations and the degree to which they can now consolidate their economic power is instantly apparent in Clarke's opening sentences. He writes that, '70 per cent of global trade is controlled by just 500 corporations; and a mere 1 per cent of the TNCs on this planet own half the stock of foreign direct investment'. What is more, the new trade agreements can only greatly accelerate corporate concentration and increase corporate power in relation to nation-states. Indeed, that is one of 'free' trade's main purposes.

Among the factors that make this concentration possible are the new technologies of communication: satellite television and global computer capability. The computer–satellite linkup has effectively become the global corporation's nervous system, enabling the diasporous corporate paths to work in synch. Meanwhile, the globalization of television and advertising enables corporations to expand their ideological reach and deliver idealized images of happy Western commodity-intensive lifestyles even to places where, until recently, there may not have been roads. Richard Barnet and John Cavanagh offer two chapters on these themes (Chapters 4 and 15), honing in on the homogenization of global culture and the globalization of money.

We also offer two concrete examples of corporate behaviour: one by Brian Tokar about Monsanto (Chapter 7), and one by Andrew Rowell about the 'global retailer' WalMart, which is bringing panic to local downtowns and small businesses everywhere (Chapter 8).

THE EBBING TIDE: RELOCALIZATION

The last part of this book addresses what is invariably the most difficult question regarding these issues: 'If we don't do things this way, what do we do?' The answer may be quite simple. Since the direction in which we're heading is sure to fail, we must stop in our tracks and then change direction. If your car is headed for the cliff, first you stop it and back up, then you look at the next road map to follow.

It is critically important to recognize that the course we are on is not something that 'we' as citizens have actually chosen. The democratic process was openly circumvented to create the instruments of globalization. In this anti-democratic rush, the Western 'democracies' behaved no better than anyone else; in fact, we were far worse. Since it was our scheme to begin with, we used our economic and military stature to intimidate smaller, more resistant countries into acceptance. The movement toward economic globalization is no expression of democracy, nor is it the inevitable 'evolutionary' process that its advocates claim it is, like a force of nature. It is simply a scheme people thought up, an economic experiment designed to favour the institutions that promote it. It's been sold to businesses as an answer to the growing problems of the corporate and political elite. But it's the wrong answer, and it's not in the people's or the planet's interest to continue. Although it is still difficult for most people in industrial countries to accept, a better answer than economic globalization is a shift in the direction of revitalized, local, diversified and at least partially self-sufficient smaller economies.

It's also relevant to remember that not too long ago, most of the world was not on the globalization path, nor did it want to be. At this moment, in fact, most people in the world still maintain relatively traditional economies, many are not 'poor', and a high percentage of those who *are* poor have been made so by the very policies of free trade that are decried in these pages.

Many of the non-industrial countries have never really bought the idea that destroying their local economies would somehow improve their lives. In this vein, I am reminded of some comments I heard from Martin Khor, president of Third World Network, speaking at a PREPCOM Conference in New York before the 1992 United Nations Conference on Environment and Development in Rio.

Khor was asked how he could so strongly argue against the big trade agreements. Was he not worried that without an expanded production and consumption base, developing world peoples would be deprived of Western standards of living? His answer, which I am paraphrasing, was something like this:

> *'I think you have it backward. Those who most depend on an expanding economy are not Malaysians nor other Third Worlders, but you in the First World. In your world, you no longer have contact with the land, and you don't know how to get along without luxuries. For us, if the whole global trade system collapsed, we might be better off. We have never lost touch with the land: we know how to grow food for our communities, how to make our own clothes, how to develop the fairly simple technologies we need. This is how most of us lived until recently. We wouldn't mind having some of the new technologies you offer, and some kinds of trade are very useful, but if the Western colonial powers and transnational corporations would simply leave us alone, stop exploiting our resources and our land so we could again retain their use, we could probably survive quite well. But what would you do?'*

In any case, there will ultimately not be much choice. The globalized economy cannot be made to work for the general benefit. It cannot be sustained. No one can really argue that its fundamental bases – exponential economic growth, economies built for the export trade rather than for satisfying local needs, the continued emphasis on commodity accumulation – can be sustained beyond a very short time.

But how do we turn in another direction? In the end, of course, this is the task of the hundreds of activist organizations – environmentalists, human rights groups, workers' unions, small businesses, consumer groups, small farmers and the new economic thinkers, some of whom are featured in this book. We cannot articulate, on their behalf, the campaigns and ideas that they are and will be generating. We are instead going to advance some ideas about the viability of smaller-scale, localized, diversified economies hooked into but not dominated by outside forces. Helena Norberg-Hodge leads off this discussion by offering an interesting and extensive list of concrete ideas and proposals for a transitional period away from global economic structures.

Meanwhile, Colin Hines and Tim Lang go head-on against the globalizers' argument that to favour localization is a kind of 'protectionism', which is a term that's been given a very pejorative cast in the age of free trade (Chapter 25). Hines and Lang argue for a *new* protectionism that proclaims the intrinsic right of citizens of all communities and nations to work toward local solutions, local development and the protection of local resources, workers and nature. Global trade should be an economic option primarily when local conditions inadequately

satisfy local needs; that is the far more socially and ecologically sustainable approach.

Philosopher and farmer Wendell Berry identifies a unique political opportunity of this moment, a natural and clear division between those who favour globalization with its accompanying social, economic and political arrangements and those who work to promote and protect community and place (Chapter 22).

And Perry Walker and Edward Goldsmith report on the extraordinary emergence of new local currencies that enable people to separate themselves more easily from the larger economic grid (Chapter 23). This may prove a useful means of surviving if, in the future, the global economy takes the nosedive that some expect.

The chapters in the last part of this book may not yet provide a clear road map from here to there, but what is certainly clear, as Edward Goldsmith writes in the final chapter, is that the shift in a more local direction is mandatory. It is the only strategy that makes sustainability possible. The present path we are on is, in fact, impossible; it can only lead to disaster. Despite this, to speak of changing directions is for many people little more than utopian. But it seems clear to me, and to my coeditor in this project, that the charge of utopianism is unjustified. What is truly utopian, and perhaps obsessive, is to insist that the totally aberrant global economy that we are creating today, an economy that defies natural limits and ignores economic and social equity, can possibly survive for long.

Chapter 1

Development as Colonialism

Edward Goldsmith

The massive effort to industrialize the developing world in the years since World War II was not motivated by purely philanthropic considerations, but by the need to bring the developing world into the orbit of the Western trading system in order to create an ever-expanding market for the West's goods and services and to gain a source of cheap labour and raw materials for its industries. This was also the goal of colonialism, especially during its last phase which started in the 1870s. For that reason, there is a striking continuity between the colonial era and the era of development, both in the methods used to achieve their common goal and in the social and ecological consequences of applying them. With the development of the global economy, we are entering a new era of corporate colonialism that could be more ruthless than the colonialism that preceded it.

Edward Goldsmith is the founder of The Ecologist *magazine (founded in 1969) and is author and coauthor of a number of books including* A Blueprint for Survival *(with Robert Allen, Tom Stacy Ltd, 1972),* A Stable Society *(Wadebridge Ecological Centre, 1978),* The Social and Environmental Effects of Large Dams *(with Nicholas Hildyard, Sierra Club Books, 1985) and* The Way: An Ecological Worldview *(Rider Books, 1992). He has taught courses at Michigan University at Ann Arbor and at what is now the University of Illinois at Springfields. He received the Honorary Right Livelihood Award in Stockholm in 1984 and is a member of the board of the International Forum on Globalization.*

It is customary to trace the origin of the idea of development to a statement made by US President Harry Truman in 1949, who, in his inauguration speech before Congress, drew the attention of his audience to conditions in poorer countries and defined them for the first time as 'underdeveloped areas'. Truman may have formulated the idea of development in a new way, but it is an old idea, and the path along which it is leading the countries of the developing world is a well-trodden one.

As François Partant, the French banker-turned-archcritic of development, has put it:

> *'The developed nations have discovered for themselves a new mission – to help the Third World advance along the road to development . . . which is nothing more than the road on which the West has guided the rest of humanity for several centuries.'* (Partant, 1982)

The thesis of this article is that Partant was right. *Development* is just a new word for what Marxists call *imperialism* and what we can loosely refer to as *colonialism* – a more familiar and less loaded term.

A quick look at the situation in the developing world today undoubtedly reveals the disquieting continuity between the colonial era and the era of development. There has been no attempt by the governments of the newly independent countries to re-draw their frontiers. No attempt has been made to restore precolonial cultural patterns. With regards to the key issues of land use, the colonial pattern has also been maintained. As Randall Baker notes, 'Essentially the story is one of continuity' (Baker, 1984), while the peasants, who as Erich Jacoby writes, 'identified the struggle for national independence with the fight for land' never recovered their land. 'National independence simply led to its take-over by a new brand of colonialists' (Jacoby, 1961).

Same Goals

If development and colonialism (at least, in its last phase from the 1870s onwards) are the same process under a different name, it is largely that they share the same goal. This goal was explicitly stated by its main promoters. For instance, Cecil Rhodes – Britain's most famous promoter of colonialism in the 1890s – declared that:

> *'We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labour that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories.'*

Similar sentiments were expressed openly during the late 1800s by Lord Lugard, the English governor of Nigeria, and by former French president Jules Ferry.

But many countries in Asia and elsewhere were simply not willing to allow Western powers access to their markets or to the cheap labour and raw materials required. Nor were they willing to allow corporations to operate on their territory and undertake large-scale development projects such as road building and mining

In Asia a small number of states were eventually bullied into complying with Western demands. Thus, in 1855, Siam signed a treaty with Britain, as did Annam with France in 1862. However, China was not interested, and two wars had to be fought before it could be persuaded to open its ports to British and French trade. Japan also refused, and only the threat of an American naval bombardment persuaded its government to open its ports to Western trade.

By 1880, European powers had obtained access to the markets of most of Asia's coastal regions, having negotiated special conditions for expatriate residents, such as greater freedom of activity within the countries concerned and the right to build railways and set up enterprises inland.

However, just as is the case today, commercial interests continued to demand and often obtained ever more comprehensive concessions, creating ever more favourable conditions for European corporations. Eventually, in China, Western commercial activities, as Harry Magdoff notes, largely 'escaped China's laws and tax collections. Foreign settlements had their own police forces and tax systems, and ran their own affairs independently of nominally sovereign China' – a situation reminiscent of what goes on today in the developing world's free trade zones.

> *'At the same time, the opium trade which had been forced on the Chinese government militarily was legalized, customs duties reduced, foreign gunboats patrolled China's rivers and foreigners were placed on customs-collection staffs to ensure that China would pay the indemnities imposed by various treaties.'* (Magdoff, 1978)

In Egypt, Britain and France managed to obtain even more favourable conditions for their commercial enterprises by imposing the famous 'capitulations' on the Ottoman sultan which provided all sorts of concessions to foreigners operating within his empire. In Egypt, they could import goods at the price they saw fit, they were largely exempt from taxes and constituted a powerful pressure group well capable of defending its commercial interests and of ensuring that the interest on the Egyptian bonds of which they were the principal holders was regularly paid. Throughout the non-industrial world, it was only if such conditions could no longer be enforced, usually when a new nationalist or populist government came to power, that formal annexation was resorted to. As D K Fieldhouse puts it, 'colonialism was not a preference but a last resort' (Fieldhouse, 1984).

D C Platt, another contemporary student of 19th century colonialism, adds that colonialism was necessary 'to establish a legal framework in which capitalist relations could operate'. If no new colonies were created in Latin America in the late 19th century, it is largely because a legal system 'which was sufficiently stable for trade to continue was already in existence'. This was not so in Africa, where the only way to create the requisite conditions was by establishing colonial control (Platt, 1976).

Slowly, as traditional society disintegrated under the impact of colonialism and the spread of Western values, and as the subsistence economy was replaced by the market economy on which the exploding urban population grew increasingly dependent, the task of maintaining the optimum conditions for Western trade and penetration became correspondingly easier. As a result, says Fieldhouse, by the mid-20th century:

> *'European merchants and investors could operate satisfactorily within the political framework provided by most reconstructed indigenous states as their predecessors would have preferred to operate a century earlier but without facing those problems which had once made formal empire a necessary expedient.'* (Fieldhouse, 1984)

In other words, formal colonialism came to an end not because the colonial powers had decided to forgo the economic advantages it provided, but because, in the new conditions, these could now largely be obtained by more politically acceptable and more effective methods.

The 'Level' Playing Field

This was probably clear to the foreign policy professionals and heads of large corporations that began meeting in Washington, DC, in 1939, under the aegis of the US Council on Foreign Relations, to discuss how the postwar, post-colonialist world economy could best be shaped in order to satisfy US commercial interests.

In 1941, the council formulated the concept of 'the Grand Area' – that area of the world that the US would have 'to dominate economically and militarily' to achieve its purposes, and which would have to include most of the Western hemisphere, what remained of the British Empire, the Dutch East Indies, China and Japan – and which could be expanded as circumstances allowed.

The US Department of State was also thinking along these lines and created its own Advisory Committee on Post War Foreign Policy. Like the council, with which it was in close contact, it was committed to the idea of creating a vast economic empire that would provide US corporations with the export markets they required and the necessary sources of cheap raw materials. Economic development was the means for achieving this goal and it was by promoting free trade that this could be maximized.

Free trade is said to involve competition on 'a level playing field', and nothing could seem fairer. However, when the strong confront the weak on a level playing field, the result is a foregone conclusion, as it was at the Bretton Woods conference in 1944 when the Allies set up the World Bank and the IMF. (The GATT was set up four years later.) At the time of that conference, in the twilight of World

War II, the US totally dominated the world politico-economic scene; the European industrial powers had been ruined by the war, their economies lying in tatters, and Japan had been conquered and humiliated.

We must not forget that a century earlier, it was Britain that was preaching free trade to the rest of the world, and for the same reasons. At that time, Britain effectively dominated the world economy. Not only was a quarter of the world's terrestrial surface under Britain's direct imperial control, and not only did its navy control the seas, but the City of London was the world's financial centre and was capable of financing the industrial expansion that free trade would make possible. Besides, according to Hobsbawm (1986), Britain already produced about two-thirds of the world's coal, perhaps about half its iron, five-sevenths of its steel, half of its factory-produced cotton cloth, 40 per cent (in value) of its hardware and a little less than one-third of its manufactures. Labour in Britain was also cheap and plentiful, for the population had more than trebled since the beginning of the industrial revolution and had accumulated in the cities, while there was little social regulation to protect the rights of the workers.

In such conditions, Britain was incomparably more 'competitive' than its rivals and free trade was clearly the right vehicle for achieving its commercial goals. As George Lichtheim, another well-known student of imperialism, puts it:

> *'A country whose industries could undersell those of its competitors was favourably placed to preach the universal adoption of free trade, and so it did – to the detriment of those among its rivals who lacked the wit or the power to set up protective barriers behind which they could themselves industrialize at a pace that suited them.'* (Lichtheim, 1971)

As a result, between 1860 and 1873, Britain succeeded in creating something not too far removed from what Hobsbawm refers to as 'an all embracing world system of virtually unrestricted flows of capital, labour and goods', though clearly on nothing like the scale that this is being achieved today after the signature of the GATT Uruguay Round Agreement. Only the US remained systematically protectionist, though it reduced its duties in 1832 to 1860 and again between 1861 and 1865 after the Civil War.

By the 1870s, Britain had lost its competitive edge over its rivals. Partly as a result, British exports declined considerably between 1873 and 1890, and again towards the end of the century. At the same time, between the 1870s and 1890s, there were prolonged economic depressions, which also weakened the belief in free trade. Tariffs were raised in most European countries, especially in the 1890s, though not in Belgium, The Netherlands or Britain. Companies now found their existing markets reduced by these factors and started looking abroad towards the markets of Africa, Asia, Latin America and the Pacific, which, with the development of faster and more spacious steamships, had become much more accessible. As Fieldhouse notes, if free trade did not work, the answer was to take over those countries where goods could be sold at a profit without having to worry about competition from more efficient European countries (Fieldhouse, 1984). There followed a veritable scramble for colonies. In 1878, 67 per cent of the world's terrestrial area had been colonized by Europeans. By 1914, the figure had risen to 84.4 per cent.

Setting up Indigenous Elites

The most effective means of colonizing developing world countries is undoubtedly to set up a Westernized elite hooked on economic development, a process which this elite is willing to promote regardless of its adverse effects on the vast majority of its fellow citizens. This has now been very effectively achieved, and, as a result, the interests of developing world governments today, as Francois Partant says, are 'largely antagonistic to those of the bulk of their countrymen'. The developing world elites are, in fact, the West's representatives in the countries they dominate, probably to the same extent as were the colonial administrators that they have supplanted.

The need to create such elites was, of course, well known to the Western powers during the colonial era. During the debate in British political circles after the 1857 Indian Mutiny, the main question at issue was whether an anglicized elite favourable to British commercial interests could be created in time to prevent further uprisings. If not, it was generally conceded, formal occupation would have to be maintained indefinitely (Danaher et al, 1988).

Of course, the elite must be suitably armed if it is to impose economic development on the population, since it must necessarily lead to the expropriation and impoverishment of a very large number of people. Today, this is one of the main objects of our so-called aid programmes, some two-thirds of US aid taking the form of 'security assistance'. This includes military training, arms and cash transfers to governments that are regarded as defending US interests.

Even food aid provided by the US is security related. US politicians have openly stated that food is a political weapon, Vice President Hubert Humphrey once declaring:

> *'If you are looking for a way to get people to lean on you and to be dependent on you, in terms of their cooperating with you, it seems to me that food-dependence would be terrific.'*

Most of the governments that have received security aid are military dictatorships such as those in Nicaragua, Chile, Argentina, Uruguay and Peru in the 1960s and 1970s. These faced no external threats. It was not to defend themselves against a potential foreign invader that all this security aid was required ...

economic development on people who had already become impoverished by it and whom it could only still further impoverish.

Engineering Coups d'État

Of course, when a government unfavourable to Western commercial interests somehow succeeds in coming to power, Western governments will go to any ends to remove it from office. Thus in 1954, the US organized the military overthrow of the government of Guatemala that had nationalized US-owned banana plantations, and it did the same to the government of Jose Goulart in Brazil in the 1960s. Goulart had sought to impose a limit to the amount of money foreign corporations could take out of the country. Worse still, he initiated a land reform programme which, among other things, meant taking back control of the country's mineral resources from Western transnational corporations. He also gave workers a pay rise, thereby increasing the cost of labour to the transnationals, in defiance of IMF instructions.

During the colonial era, the colonial powers constantly sent in troops to protect compliant regimes against popular revolts. Both France and Britain, for instance, participated in the suppression of the populist Tai Ping Rebellion in China and later the xenophobic Boxer Rebellion. Britain also sent troops to help the Khedive Ismail put down a nationalist revolt in Egypt.

The Western powers still do not hesitate to do this if there is no other way of achieving their goals. Thus, when President M'ba, the dictator of Gabon, was threatened by a military coup in 1964, French paratroopers immediately flew in to restore him to power, while the coup leaders were imprisoned in spite of widespread popular demonstrations. Significantly, the paratroopers remained to protect M'ba's successor, President Bongo, whom Pierre Pean regards as 'the choice of a powerful group of Frenchmen whose influence in Gabon continued after independence', against any further threats to him and hence to French commercial interests. Neither the UK nor the US has been any less scrupulous in this respect (Colchester, 1993).

Killing the Domestic Economy

If the role of the colonies was to provide a market for the produce of the colonial countries and a source of cheap labour and raw materials for their industries, then it could not at the same time provide a market for local produce and a source of labour and raw materials for its own productive enterprises.

In effect, the colonial powers were committed to destroying the domestic by a delegate to the French Association of Industry and Agriculture in March 1899. For him, the aim of the colonial power must be:

> *'To discourage in advance any signs of industrial development in our colonies, to oblige our overseas possessions to look exclusively to the mother country for manufactured products and to fulfil, by force if necessary, their natural function, that of a market reserved by right to the mother country's industry.'* (quoted in Dumont, 1988)

The favourite method was to tax whatever the colonials particularly liked to consume. In Vietnam, it was salt, opium and alcohol, and a minimum level of consumption was set for each region, village leaders being rewarded for exceeding the quota. In the Sudan, it was crops, animals, houses and households that were singled out for taxation. Of course, there is no way in which local people could meet their tax obligations save by agreeing to work in the mines and plantations or growing cash crops for sale to their colonial masters.

At the same time, every effort was made to destroy indigenous crafts, particularly in the production of textiles. In this way, the British destroyed the textile industry in India, which had been the very lifeblood of the village economy throughout the country. In French West Africa in 1905, special levies were imposed on all goods which did not come from France or a region under French control; this forced up the price of local products and ruined local artisans and traders.

Economic development after World War II, on the other hand, was theoretically supposed to help the ex-colonial countries build up their own domestic economies, but such development, by its very nature, could not occur. At the very start, the colonies were forced to reorientate their production towards exports – what is more, towards an exceedingly small range of exports.

A typical example is sugar. Under World Bank influence, vast areas of the developing world were converted to sugarcane cultivation for export, without any consideration for whether a market for sugar existed abroad. In fact, the US has continued to apply very strict quotas on sugar imports while continuing to countenance the production of corn syrup and the increasing use of artificial sweeteners, while the European Union (EU) has persisted in subsidizing sugar beet production among its member states. However, none of these considerations has prevented the World Bank from encouraging the production of ever more sugar for export. Cynics might maintain that this was the object of the operation in the first place since, after all, it was implicitly at least part of the World Bank's original brief to encourage the production of cheap resources for the Western market.

At the same time, developing world countries who have sought to diversify their production have immediately been accused of practising 'import substitution'

influential within the Bretton Woods institutions. Indeed, import substitution is precisely what developing world countries must promise not to undertake if they hope to obtain a structural adjustment loan. Not surprisingly, as Walden Bello and Shea Cunningham note in their book *Dark Victory*, when a country is subjected to such a programme, its exports clearly tend to rise, but not necessarily its GNP, because of the inevitable contraction of its domestic economy (Bello et al, 1994).

When developing world countries have nevertheless succeeded in creating a modest domestic economy, the World Bank and IMF, in league with US government officials and transnational corporations, have set out systematically to destroy it, a process that could not be better documented, in the case of the Philippines, than by Walden Bello, David Kinley and Elaine Elinson in their book *Development Debacle: The World Bank in the Philippines* (1990). The book, based on 800 leaked World Bank documents, shows how that institution, in league with the CIA and other US agencies, set out purposefully to destroy the domestic economy of the Philippines so as to create those conditions that best favoured TNC interests. Achieving this goal first meant sacrificing the peasantry and transforming it into a rural proletariat. The standard of living of the working class had to be reduced, since, as a World Bank spokesman said at the time, 'wage restraint' is required to encourage 'the growth of employment and investment'. Meanwhile, the local middle class who depended for its very existence on the domestic economy had to be destroyed to make way for a new cosmopolitan middle class dependent on the TNCs and the global economy.

Clearly, such a drastic social and economic transformation of an already partly developed country could not be achieved by a democratic government. This explains why it was decided to provide dictator Ferdinand Marcos with the funding he required to build up an army capable of imposing such a programme by force. As Marcos put it at the time, 'Only an authoritarian system will be able to carry forth the mass consent and to exercise the authority necessary to implement new values, measures and sacrifices' (Fieldhouse, 1984). In essence, this is what he did. Martial law was declared by Marcos, and the people were bludgeoned into accepting the transformation of their society, economy and natural environment.

Lending Money

Lending large sums of money to the compliant elite of a non-industrial country is by far the most effective method of controlling it and thereby of obtaining access to its market and its natural resources. However, if the government is to be capable of repaying the money borrowed or of paying interest on it, the money must be invested in enterprises that are competitive on the international market, Unfortunately, this is extremely unlikely to occur. To begin with, anything up to 20 per cent of the money, and sometimes very much more, will be skimmed off in the form of kickbacks to various politicians and officials. Some of the money will be spent on useless consumer products, mainly luxury goods for the elite; much will be spent on infrastructural projects which will not generate a direct return for a very long time, if at all; and more will go on armaments to enable the government to put down uprisings by the victims of the development process. So the countries who borrow large sums of money must necessarily fall into unrepayable debt. Once in debt, rather than cutting down on expenditure, they inevitably become hooked on further and further borrowing and thus fall under the power of the lending countries. At this point the latter, through the IMF, can institutionalize their control over a debtor country through structural adjustment programmes (SAPs) that, in effect, take over its economy to ensure that interest payments are regularly met. This arrangement leaves the borrowing country as a *de facto* colony.

This technique of informal colonialist control is by no means new. It was resorted to during the colonial era, as in Tunisia and Egypt in the mid-1800s. In the case of Tunisia, a lot of money was lent to the Bey of Tunis to build up an army in order to loosen his ties with Turkey, not a particularly profitable investment – and, of course, it did not take long before the Bey was unable to pay interest on the loan. Much of the money was borrowed in the form of bonds and most of the bondholders were French. The latter viewed the situation with considerable alarm and appealed to the French foreign office for help, which was granted. The Bey's economy was subjected to financial supervision, 'a technique frequently used by the British and French governments in Latin America' just as it still is today.

A joint Franco–Tunisian commission was set up in 1869 for such supervision and the conditions it imposed were draconian, to say the least. It had the right to collect and distribute the state's revenues in order to ensure that the shareholders had precedence over any other debtors. (Significantly, in 1994 President Clinton imposed a similar deal on the Mexican government as a condition for lending it the billions of dollars required to bail out its Wall Street creditors.)

From 1869 onwards, Tunisian 'public finance and therefore effectively the government were now under alien control' (Fieldhouse, 1984). Tunisia had been reduced to the status of an informal colony. To pay interest on the loans, the Bey had to increase taxes, which gave rise to a popular movement. In order to secure and protect its interests, France finally annexed Tunisia in 1881.

The course of events in Egypt was similar though more complex. Egypt involved itself in trade with Europe as early as the 1830s. During the 1850s, European banks were set up in Alexandria. The government spent a lot of money on modernizing the army and the bureaucracy and also on public works, including the Suez Canal. Inevitably, expenditure soon outstripped receipts and the Khedive was forced to borrow heavily from foreign bankers and eventually to issue treasury bonds. In 1862, as Roger Owen notes, Egypt first began to issue foreign loans and by 1875 the country was heavily in debt to European banks (Owen and Sutcliffe, 1976). Like developing world governments today, the Egyptian government was forced to increase production for export – in this case, cotton and sugar – in order to earn the foreign currency with which to pay interest on its debts. This meant creating bigger and bigger plantations and, as usual, expropriating the peasants. The government's efforts, as usual too, were thwarted by foreign competition, in this case by subsidized sugar exports from Russia and Germany.

Egypt's debts rose massively from 3 to 68 million Egyptian pounds. In the 1870s, more than two-thirds of the government's income had to be sent abroad as interest, which is more than most developing world countries have to pay to service their present debts. In 1877, only about 10 percent of the country's revenue was left for domestic expenditure. The Khedive had to resort to heavy short-term borrowing and was forced to sell his shares in the Suez Canal Company. In 1876, he suspended payments on treasury bills. Egypt was bankrupt, just as Tunisia had been in 1869. The bondholders then appealed to the British and French governments for support and got it. It took the form of the financial supervision of Egypt along Tunisian lines – very much as debtor countries are supervised by the IMF and the World Bank today.

This failed and more direct intervention was necessary. A commission of inquiry into Egypt's financial affairs was set up, forcing the Khedive to accept two European ministers in his cabinet to implement the recommendations of the report. This failed too. All sorts of hopeless solutions were proposed until the country was formally annexed by Britain in 1882. For Owen, 'the loss of economic independence not only preceded the loss of political independence, it also prepared the way for it' (Owen and Sutcliffe, 1976). Magdoff sums up the Egyptian experience very neatly:

> *'Egypt's loss of sovereignty resembled somewhat the same process in Tunisia: easy credit extended by Europeans, bankruptcy, increasing control by foreign-debt commissioners, [milking] the peasants to raise revenue for servicing the debt, growing independence movements, and finally military conquest by a foreign power.'* (Magdoff, 1978)

During the era of development, we have perfected the technique of lending money to developing world countries as a means of controlling them. Much of it now goes euphemistically under the name of development 'aid'. To justify aid, 'poverty' in the developing world is made out to be but a symptom of the latter's 'underdevelopment', development thereby being taken to provide an automatic cure. However, developing world countries are also seen to be seriously hampered in their development efforts because they have lacked the requisite capital and technical knowledge – precisely, as Cheryl Payer notes, 'what the Western corporative system is capable of providing' (1991). She quotes Galbraith, who puts it, 'Having the vaccine, we have invented smallpox.'

There is, of course, no reason to believe that borrowing money from abroad, even at concessionary rates, is a means of achieving economic success, let alone of eliminating poverty. Nor should we believe that the money borrowed can then be paid off by increasing exports. The countries that are held up as a model for developing world countries to emulate are the so called 'Tigers' – the newly industrialized countries (NICs) – which include South Korea, Taiwan, Singapore and Hong Kong. Neither Singapore nor Hong Kong, as Payer notes, borrowed any significant amount of money for their development. Taiwan borrowed a little in the early days, but managed to resist US pressure to overspend and borrow more extensively. South Korea is the only one of them to have borrowed fairly extensively. Payer argues that if South Korea succeeded in exporting its way out of what debts it had where others failed, it is largely because it resisted World Bank and IMF pressures to open up its markets. Imports and capital controls were maintained, as they previously had been by Japan. Clearly, some capital is required for development, but, as Payer notes, 'the truly scarce commodity in the world today is not capital, it is markets'.

Aid is a particularly good instrument for opening up markets, because much of it is officially tied to purchasing goods from donor countries. In the same way that colonies were once forced to buy their manufactured goods from the country who had colonized them, aid recipients must spend much of the money that is supposed to relieve their poverty and malnutrition on irrelevant manufactured goods that are produced by the donor countries. If they dare refuse, they are immediately brought to heel by the simple expedient of threatening to cut off the aid on which they tend to become highly dependent.

Thus, a few years ago the British government threatened to cut off aid to the government of India if it did not go ahead with its plan to buy 21 large helicopters, costing UK£60 million, from a British corporation called Westland – an effort, it is encouraging to note, that was bitterly opposed by responsible elements within Britain's Overseas Development Agency (ODA). This is but a more sophisticated method of achieving what Britain achieved in the previous century when it went to war with China in order to force that country to buy opium from British merchants in India.

In general terms, aid cannot be of use to the poor of the developing world because they necessarily depend on the local economy for their sustenance, and the local economy does not require the vast highways, the big dams or, for that matter, the hybrid seeds, fertilizers and pesticides of the Green Revolution any more than it does the fleet of helicopters that the British government imposed on India. These are only of use to the global economy, which can only expand at the expense of the local economy, whose environment it degrades, whose communities it destroys and whose resources (land, forests, water and labour) it

World Bank and Colonialism

Significantly, at the beginning of the era of development in the 1940s and early 1950s, developing world countries showed practically no interest in borrowing money from the foremost aid agency, the World Bank. This was interpreted as demonstrating that they lacked the necessary technical and planning skills to draw up suitable projects. The answer was to provide them with these skills and thereby create a demand for World Bank loans. Bruce Rich, in his book *Mortgaging the Earth*, states how in the 1950s a primary focus of World Bank policy was 'institution building' (Rich, 1994a; see also Rich, 1994b). This usually took the form of creating largely autonomous World Bank-dominated agencies within developing world governments, responsible for undertaking large-scale projects for which World Bank funding would be continually solicited. Over the years, such agencies have been set up in most developing world countries. For instance, in Thailand, they include the State Electricity Corporation (EGAT), the Industrial Finance Corporation (IFCT) and the National Economic and Social Development Board (NESDB). Between them, these institutions have so far obtained 199 World Bank loans of a total of some US$4374 billion. The World Bank also trains their officials at its Economic Development Institute (EDI) in World Bank techniques for project appraisal and long-term country lending strategies. Many of this institution's ex-alumni have achieved positions of great power in their respective countries. Some have become prime ministers or ministers for planning and finance. Rich sees these agencies as vast 'patronage networks'. They have provided the World Bank 'with critical power bases through which it has been able to transform national economies, indeed whole societies, without the bothersome procedures of democratic review and discussion of alternatives', and have thereby given the World Bank 'some of the powers of a surrogate government'.

These conclusions are consistent with those of a study undertaken by the International Legal Centre in New York on the World Bank's involvement in Colombia between 1949 and 1972. It concluded that the autonomous agencies set up in that country by the bank had a profound impact on the political structure and social evolution of the entire country, weakening 'the political party system and minimizing the roles of the legislature and of the judiciary'. Colombia had, in effect, become a World Bank colony or rather a colony of the US and the other industrial countries that control the bank.

The IMF, like the World Bank, has done everything it can to persuade countries who still have low debt burdens to borrow more and more money. Payer goes so far as to say that 'such countries were wooed by the Fund with what might be called "special introductory offers"' – loans with only light conditionality attached. Thus, Tanzania since its independence refused to allow TNCs to operate within its borders. However, in 1974, it received an IMF loan with light conditionality to help it over a temporary crisis. By 1977, the crisis reserves'. At this point, the IMF and the World Bank advised the Tanzanian government 'that its reserves were embarrassingly large and might lead the country's aid donors to reduce their contributions'. A poor country should not 'hoard its reserves but spend them in order to develop more rapidly'. The government was induced to abolish its foreign exchange budgeting system, called 'confinement', and lift controls on imports. The Tanzanian officials were convinced that the IMF and the bank were 'virtually creating the crisis which gave them power over the Tanzanian government' (Payer, 1991). They were probably right.

Cheryl Payer notes that even after the oil price rise in 1973, instead of making it clear to debtor countries that their chances of exporting their way out of their growing debts were now dimmer than they had ever been, they went on encouraging them to borrow still more money.

When President Mobuto of Zaire failed to service his country's debts in the 1970s, the IMF installed a representative, Erwin Blumenthal, in a key position in his Central Bank. Two years later, in 1980, Blumenthal resigned on the grounds that corruption in Zaire was so 'sordid and pernicious' that there was 'no chance, I repeat no chance' that its numerous creditors would recover their loans, the money lent merely serving to swell Mobuto's personal fortune abroad and to import luxuries for his cronies. However, even this did not prevent the IMF, only a few months after Blumenthal's report, from granting Zaire the largest loan ever given to an African country.

Michel Chossudovsky notes just how drastic is the control exerted by the World Bank and the IMF over the economic policies of debtor countries. He explains that countries wishing to borrow money under a structural adjustment programme have to start off by providing evidence to the IMF that it is 'seriously committed to economic reform'. Before it does this, no actual loan negotiation can be held.

Once a loan has actually been granted the country's performance is monitored four times a year by the IMF and the World Bank and if the reforms are not considered to be 'on track', disbursements are immediately cut off, the country is put on a blacklist and runs the risk of reprisals in trade and capital flows. Many debtor countries are forced to write 'policy framework papers' under the close supervision of the IMF and the World Bank. The latter is closely involved with the implementation of the programme through its country representative office and its many technical missions. In addition, it has representatives in the country's key ministries such as health, education, industry and agriculture, transportation and the environment, whose policies fall increasingly under its jurisdiction. The bank also closely monitors public expenditure in each of the government departments under its supervision via its public expenditure review (PER).

Significantly, the World Bank's job will be greatly facilitated by the fact that many of the key positions in the government of the debtor countries are likely to be ex-World Bank executives, who have been imbued with that institution's economic philosophy and trained to implement its policies. In India, during the recent government of Narasimha Rao, no fewer than 21 key positions in India's ministries of trade and finance were occupied by ex-World Bank executives. Today, under the aegis of the WTO which is, in effect, a world government with its own legislation, its own executive and its own judiciary, control is indeed incomparably more sophisticated than that exerted by the colonial powers of old.

The New Corporate Colonialism

Furthermore, as a result of the GATT Uruguay Round, developing world countries are under obligation to accept all investments from abroad; give 'national treatment' to any foreign corporation who establishes itself within their borders, whether it is involved in agriculture, mining, manufacturing or the service industries; eliminate tariffs and import quotas on all goods, including agricultural produce; and abolish non-tariff barriers, such as regulations to protect labour, health or the environment that might conceivably increase corporate costs.

Conditions more favourable to the immediate interests of TNCs could scarcely be imagined. Many of these conditions were imposed during GATT negotiations by the US delegation and by the delegations of the EU and Japan who presumably believed the vast bulk of the TNCs were and always would be located in such countries.

However, it seems more and more that this may change. Even strong national governments are no longer able to exert any sort of control over TNCs. If a country passes a law that TNCs regard as a hindrance to their further expansion, they merely threaten to leave and establish themselves elsewhere, which, under the new conditions, they can do at the drop of a hat. Indeed, TNCs are now free to scour the globe and establish themselves wherever labour is the cheapest, environmental laws are the laxest, fiscal regimes are the least onerous and subsidies are the most generous. They need no longer be swayed by sentimental attachments to any nation state.

Today, as a few giant TNCs consolidate their respective control in the worldwide sale of a particular commodity, so it is likely to become ever less advantageous for them to compete with each other. Competition mainly reduces profit margins; cooperation, on the other hand, enables them to increase their hold over governments and to deal with the inevitable opposition from populist and nationalist movements and others who might seek to restrict corporate power and influence.

Already, TNCs are resorting to more and more vertical integration, thereby controlling virtually every step in the economic process in their respective fields, from the mining of minerals, to the construction of the factories, the production of goods, their storage, their shipping to subsidiaries in other countries and their wholesaling and retailing to local consumers. In this way, TNCs are effectively insulating themselves from market forces and ensuring that it is they themselves, rather than competition from their rivals, who determine, at each step, the prices that are to be charged (Hultgren, 1995).

Already, between 20 per cent and 30 per cent of world trade is between TNCs and their subsidiaries. Rather than being real trade, this is but a facet of corporate central planning on a global scale. For Paul Ekins, the British ecological economist, TNCs are becoming 'giant areas of bureaucratic planning in an otherwise market economy'. He sees a 'fundamental similarity between giant corporations and state enterprises. Both use hierarchical command structures to allocate resources within their organizational boundaries rather than the competitive market'. What, we might ask, is to prevent 50 per cent, 60 per cent or even 80 per cent of world trade from eventually occurring within such 'organizational boundaries'? At present, very little, and as we move relentlessly in this direction, so may we be entering a new era of global corporate central planning, one that will be geared to a new type of colonialism: global corporate colonialism.

The new colonial powers have neither responsibility for, nor accountability to, anybody but their shareholders. They are little more than machines geared to the single goal of increasing their immediate profitability. What is more, TNCs will now have the power to force national governments to defend corporate interests whenever such interests are in conflict with those of the people whose interests the governments have been elected to protect. The new corporate colonialism is thus likely to be more cynical and more ruthless than anything that we have seen so far. It is likely to dispossess, impoverish and marginalize more people, destroy more cultures and cause more environmental devastation than either the colonialism of old or the development of the last 50 years. The only question is: how long can it last? In my opinion, a few years perhaps, or a decade at most, for a global economy that will create misery on such a scale is both aberrant and necessarily short-lived.

Chapter 2

The Failure of Bretton Woods

David Korten

This chapter is adapted from David C Korten's keynote address at the 1994 convention of the Environmental Grantmakers Association of America, held at the Mt Washington Hotel, Bretton Woods, New Hampshire, on the 50th anniversary of the famous Bretton Woods conference that created the World Bank, the International Monetary Fund (IMF) and, soon after, the General Agreement on Tariffs and Trade (GATT).

Korten has emerged as one of the world's clearest critics of the economic philosophies and practices that drive our system. He formerly worked in Asia for the US Agency for International Development (USAID) and the Ford Foundation's development programmes. He holds a PhD from Stanford University's Business School and served on the faculty of Harvard University's Business School. He is president of the People-Centred Development Forum in New York, and author of When Corporations Rule the World *(1995).*

The fame of Bretton Woods and of this hotel dates from July 1944, when the UN Monetary and Financial Conference was held here. The world was in the throes of World War II. Mussolini had been overthrown. The Allies had landed at Normandy, but Hitler would last another 10 months. War also continued to rage in the Far East, and Japan would not surrender for another 13 months. The UN charter was still a year away. In that context, the economic leaders who quietly gathered at this hotel were looking beyond the end of the war with hopes for a world united in peace through prosperity. Their specific goal was to create the institutions that would promote that vision.

The Bretton Woods meeting did create new institutions that have shaped and controlled the world's economic activity since that time, but some theorists will say that the plans for these institutions go back still further, to the 1930s and to the US Council on Foreign Relations. A meeting ground for powerful members of the US corporate and foreign policy establishments, the council styled itself as a forum for the airing of opposing views, an incubator of leaders and ideas unified in their vision of a global economy dominated by US corporate interests.