

After Cannibalised Globalisation

Eduardo Gudynas
| 16 February 2009 |

Bretton Woods Update No.64 January/February 2009, page 3.

The present financial crisis is continuing to develop rapidly and spreading globally, with uncertain outcomes. A recent report from the European Laboratory of Political Anticipation (also known as Leap/Europe 2020) finds that the United States could fall into a cessation of payments by mid 2009. This is based on the very high level of borrowing by the United States which, added to the huge amounts promised to bailout the banks, could spiral out of control. The situation in Europe is no better, and Iceland's bankruptcy is an example of what the future could hold.

This shows the gravity of the crisis, which is not restricted to industrialised countries. The crisis is clearly a global problem despite the original claims of decoupling in several Latin American countries. In reality, Brazil was rapidly engulfed by this crisis because it is much more tied to the global circuits of commerce and capital than people believed. Therefore the crisis produced devaluation of the *real* and the rise and fall of the São Paulo stock market as a result of international market volatility. Today, all of Latin America is feeling the impact.

The leadership of global commerce and capital institutions have been totally incapable of confronting and solving this crisis. The IMF plays a marginal, almost irrelevant role. A few yards from the IMF, the messages from the World Bank are no more than whispers. At the World Trade Organisation, the crisis is just one more wound suffered after the failure of the last ministerial meeting in Geneva to revive the Doha round. Contrary to their proclamations, many Latin American governments are studying protectionist measures to avoid an avalanche of cheap imports from Asia. Even the United Nations is apathetic with its mute secretary, Ban Ki-moon, showing no leadership. We are witnessing a crisis of the multilateral governance system, which is a lot more profound than could be guessed at first sight.

Besides the bankruptcy of these international institutions, we are also left with a barrage of questions about the ideas and concepts that formed the basis for the optimistic visions about the globalisation of capital. Topics such as: the assumptions about the way the market operates, the claim that it was necessary to deregulate the

flow of capital for growth, the economic instruments of valuation, and even the creation of derivative instruments, are all under public debate. They lack the support in which they were rooted; these are ideas that devoured each other, and gave way to the cannibalisation that has produced the present crisis.

However, it is necessary to recover a sense of balance and caution. Whilst orthodox ideas about globalisation and their institutions are crumbling, we are not necessarily witnessing a terminal crisis of contemporary capitalism. This crisis is due to orthodox ideas unravelling under huge transfers of wealth and the socialisation of losses. We will have to wait and see how the present crisis develops to evaluate the possibility with care.

In Latin America we do not see a clear alternative programme. In Brazil's case the measures adopted are quite conventional, such as the liberalisation of state funds to keep financing exports. This shows that the attractions of commodity exports and incoming foreign investment still persist.

On a global level there is the chance that regulation of financial instruments could finally be accepted, especially the riskiest ones. This is because the corporate elite might recognise that they prevent capitalistic reproduction. A cannibal globalisation that may devour its creators must be stopped. The elite might accept the imposition of certain rules to ensure the continuity of other essential components of capitalism. However, it would not accept a more serious regulation of capital, as could be expected from the necessary demands to guide it effectively towards development. Up to now, there have not been that many concrete proposals from governments to regulate the flow of capital.

There is also great timidity from institutions to face reform. Many of the recent claims from emerging countries such as China, India and Brazil, are not aimed at transforming the essence of global governance but at taking a bigger piece of the pie. This can be seen in the discussions over changing the G7 into a bigger group that includes emerging countries. These claims also include positive elements such as cutting the hegemonic power of the US, but there is a temptation to want to replace it with regional hierarchies, for example based in Beijing or Brasilia.

We cannot assume that genuine alternatives will be accepted by our governments. 'A new global order' is not something that you can create immediately, but something that needs to be fashioned from alternative ideas that need to be polished, tried out and coordinated, always with the support of civil society.

Eduardo Gudynas, egudynas(at)economiasur.com, <http://globalizacion.org/d3e>

We welcome submissions from representatives of Southern civil society organisations for the "comment" feature. If you are interested in contributing please contact comment@brettonwoodsproject.org.

This text may be freely used providing the source is credited.

This page is: <http://brettonwoodsproject.org/art.shtml?x=563660>