SOCIAL DIMENSIONS OF THE GLOBALIZED WORLD ECONOMY

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Poor women have no reason to defend a model centred exclusively on the market, which in actual experience serves to deepen their poverty.
Joan French in Sparr: 180

Introduction

First, let me open by offering my congratulations to CIEI on its 30th Anniversary. Over the past five years, it has been a privilege to work and know many truly capable and caring researchers working at the CIEI. I am also glad to have the opportunity today to share some of my thoughts on this important debate.

Before I begin my presentation, there are two points that I would like to address. Yesterday, we heard from the Inter-American Development Bank speaker that the market economy needs to be more egalitarian. This is for me an oxymoron. From the overwhelming evidence that we have, market reform promotes inequalities and is designed to favour capital over labour. So how could it possibly contribute to the promotion of equality? We also heard from the same distinguished visitor that market reform for Cuba would be without huge costs or social consequences. I fundamentally disagree with this point of view. The struggle to retain universal social programs with an educated, skilled labour force, to combat the onslaught of this global agenda is well-known in Canada and there is scope for comparison in this respect between Canada and Cuba. I shall return to these points at the end of my presentation.

The social consequences of a globalized world economy are far-reaching and responsible for the impoverishment of people – especially "labouring people" – throughout the globe and especially over the last two decades of so-called 'market reforms' manifested through structural adjustment policies and "macro-economic stablisation" (Chossudovsky 1997) programs imposed by the World Bank and the International Monetary Fund (IMF). The social dimensions, on which I want to focus, concern people's daily lives, their livelihoods, their health, education and basic quality of life. What are the key elements of this "globalized world economy" and how has it impacted on people's living conditions? A corollary question for me, which I will not address directly, is how, in the face of such overwhelming evidence in every region of the world where capitalist free market reforms have been imposed -- with evidence of the dire failures of these policies and prescriptions -- how is it that the triumphalism of market reforms continues?

In addition to the hard empirical evidence of increased impoverishment, we also have a long list of even mainstream economists who have worked for the World Bank or the IMF and who have told their stories of the horrendous mistakes of these structural adjustment policies and the harm that they have done or are doing in the name of so-called "inevitable globalization." I remind you of only two of the many critics: the Grenadian economist Davison Budhoo, who had worked for 17 years for both the World Bank and the IMF, resigned in 1988 claiming, "Enough is enough," (the title of his book), and has since become a tireless advocate of "people-centred development" as an alternative to structural adjustment (1993). More recently, Joseph Stiglitz, Chief Economist of the World Bank until November 1999, presented a devastating insider's account of the failed prescriptions and recent bungling by the World Bank and IMF in Southeast Asia. The following passages reveal Stiglitz's (2000) personal experience of watching disaster hit in Southeast Asia:

> I was chief economist at the World Bank from 1996 until last November [1999], during the gravest global economic crisis in a half-century. I saw how the IMF, *in tandem with the U.S. Treasury Department*, responded. And I was appalled. The global economic crisis began in Thailand, on July 2, 1997. The countries of East Asia were coming off a miraculous three decades: income had soared, health had improved, poverty had fallen dramatically. Not only was literacy now universal, but, on international science and math tests, many of these countries outperformed the United States. Some had not suffered a single year recession in 30 years.
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> But the seeds of calamity had already been planted. In the early '90s, East Asian countries had liberalized their financial and capital markets – not because they needed to attract more funds (savings rates were already 30 percent or more) but because of international pressure, including some *from the U.S. Treasury Department*. These changes provoked a flood of short-term capital – that is, the kind of capital that looks for the highest return in the next day, week, or month, as opposed to long-term investment in things like factories (italics mine).

While I think that he exaggerates the East Asian "miracle" as clearly what happened in these economies was well planned and regulated by the state, there is no question that the policies that they followed from 1997 on have worsened their situation, causing a tenfold increase in unemployment and real wages to plummet, especially in Indonesia which I know well. Stiglitz goes on to state:

> The mathematical models the IMF uses are frequently flawed or out-of-date. Critics accuse the institution of taking a cookie-cutter approach to economics, and they're right. Country teams have been known to compose draft reports before visiting. I hear stories of one unfortunate incident when team members copied large parts of the text for one country's report and transferred them wholesale to another. They might have gotten away with it, except the "search and replace" function on the word processor didn't work properly, leaving the original country's name in a few places.

Stiglitz's description is reminiscent of the experiences of Robert Klitgaard in Equatorial Guinea documented in his book, *Tropical Gangsters* (1990). These critics are unrelenting in their comments; however, they belong to different schools of thought. Stiglitz and Jeffrey Sachs, for example, emphasize the "importance of the institutional infrastructure of a market economy – from legal structures that enforce contracts to regulatory structures that make a financial system work". They also favour a more gradual transition, for example in China. I am objecting fundamentally to any neo-liberal reform, especially as these doctrines are universally applied with little knowledge of history or details of the economy. There is little or no economic rationale for these policies apart from the desire to consolidate capital and ease the exploitation and control of labour.

It is important to pay attention to people's stories, especially those of insiders, and the empirical evidence of those on the ground living the reality of these policies. And we have plenty of evidence of how people are actually faring as a result of these policies.

Before I turn to that evidence, the point I wish to stress is that today's globalization is really just a new interventionist framework for global domination based essentially on an ideology of neo-liberalism (even here often misrepresenting the views of Adam Smith) with two key notions: 1) the "opening of national borders and reduction of government barriers on the international flow of capital and trade"; and 2) export-led growth or an "outward-looking economy heavily oriented to production for export markets" (Korten 1990 :54).

This interventionist framework inserts itself primarily in two domains: first, nation-states and secondly, trade agreements or international accords and their institutions.

The ideology of neo-liberalism is embedded in the structural adjustment policies or stabilization programs directed at nation-states in every region of the world by the IMF and World Bank. This ideology is used "to justify growing social inequalities, greater social polarization and the increasing transfer of state resources to capital" (Petras 1999: 4). Apart from Canada, the countries I know best from first-hand experience over the last ten years are Uganda, South Africa, El Salvador, Indonesia, and more recently China (Shanghai and Hong Kong), previously India, Sri Lanka, Senegal, Mexico and most Caribbean countries. My experience and observations have been from throughout the globe. Neo-liberal ideology is also embedded in the trade agreements or international accords and its institutional instruments – whether it be the North American Free Trade Agreement (NAFTA), the Free Trade Agreement of the Americas (FTAA), the Multilateral Agreement on Investment (MAI), or the World Trade Organization (WTO) – such that mobility of capital is favoured as the engine of growth over the concerns of labour (see Boyd 1998).

The features of neo-liberalism

The basic prescriptions or features of neo-liberalism emphasize, among others, privatization, cuts to the public sector, cuts to social services, introduce user fees, privatize land, ensure more "flexible labour", remove subsidies and introduce various forms of deregulation, reduce the deficit, devalue the currency and balance the budget. These key policy prescriptions are based on many hypocritical assumptions concerning less-developed countries (Korten 1990: 56-57). Let us now turn to some of the evidence resulting from these prescriptions.

The privatization of public utilities, land and state assets is actually an ingenious manoeuvre for a distributional shift of these national assets to favour the rich. You sell assets of the state in the name of “efficiency” below their value to consolidate capitalist classes. An example of this process exists in Russia where the IMF and the U.S. Treasury allowed a small group of oligarchs to gain control of state assets (Stiglitz 2000). While only 2% of the population lived in poverty at the end of the Soviet period, it is now almost 50% of the population with over half of Russia’s children living in poverty. The privatization of land is perhaps the most harmful process as it leads to the dispossession of land for domestic food production. Peasants gain title to land, cannot maintain it and most sell it off to the middle peasant or bigger landowner. As a consequence, famine or food shortages exist in many areas of the world where it never did before, notably Uganda and the Philippines. There are actually acute food shortages in 28 districts in Uganda presently attributed to drought but in my view SAPs have contributed to this impoverishment. Uganda, for those of you who follow the IMF and World Bank publications, is often claimed as a “success story” currently because of seven consecutive years of growth under the neo-liberal economic model (reported by U.S. Treasury Secretary Larry Summers). The reality for most of the population is very different; it is one of impoverishment as its current per capital income is still 30% below that of 1983, when the country was in the midst of civil war.

Land is an important capital asset that gets consolidated into the hands of those who already have capital. The overall agenda here is one of capital concentration: it is designed to make the rich get richer. Yesterday, I mentioned the concentration of capital in the hands of U.S. multinational corporations which challenges the mythical notion of “globalization”. Let us recall the structure of power in this so-called globalized world economy: the U.S. Treasury through the World Bank and IMF is carrying out this interventionist agenda to promote the interests of U.S. capital. Of the 500 leading corporations of the world, 244 or 48% are U.S. owned; of the 15 key financial and investment institutions, 11 are U.S. owned and based; in 1990, 36% of the world profits were concentrated in U.S.-MNCs; in 1997, they had 49% of the profits (*The Financial Times* in Petras 2000: 109).

Budgetary cuts to the public sector in the name of deficit reduction have left swelling unemployment where there are often no social safety nets. Linked to reducing the public sector and increased privatization are assumptions that low-income countries must accept cuts in the social services and introduce user fees for health and education in order to encourage greater investment and savings: not only is this harmful, but there is a real hypocrisy in this prescription and it reminds us of Stiglitz’s and others’ observation that these policies often bear no relationship to reality or understanding the society in its ‘one-size-fits-all’ approach. The fact is that most low-income countries’ governments spend an average of only 8% of their budget on the social sectors, compared with on average 56% in industrialized countries (figures for 1994).

The cutting of social services, especially health clinics, has had a demonstrable negative effect on women. Women are the primary health providers around the world, care for the sick and elderly, and user fees mean they cannot go to clinics and that health deteriorates for the whole family. There has been evidence of a resurgence of infectious diseases related to the inaccessibility of health care under structural adjustment policies

(Chossudovsky 1997). There has also been important evidence from feminist researchers critiquing structural adjustment (Sparr 1994) that health care, in general, becomes more precarious and dependent on the ability to pay, something that is increasingly clear in Canada. The undermining of universal social programs that were once “a defining characteristic of Canada among countries of the Western Hemisphere” has been the focus of many political challenges over the past decade (Frankman 1998).

The shift to export-led growth is a dominant feature of structural adjustment policies. Domestic industries for domestic interest have become thoroughly demonized (Levitt 1999). Land use shifts, as mentioned, now for export which creates a situation of extreme food insecurity, again with a particular heavier effect on women who are usually responsible for food consumption (evidence from Brazil and Bangladesh can be found in Starr 1994 and Indonesia from my personal experience). Food consumption diminishes, anaemia increases, food is unevenly distributed, and women and girls usually eat less and last, if they eat at all. In Indonesia, where over 40% of the 200 million population now live in poverty, a study of urban poor construction workers shows that people are not making a living wage with currency devaluation running at 70% (between 1997-1999) and families are faced with having to chose which of their children to feed.

Undermining Labour

Attached to the features of the ideology of neo-liberalism as mentioned above is a concerted effort to intervene on labour in a different way; the entire process of labour reform by the World Bank is based on an agenda that reflects the interests of capital. The emphasis on “flexible labour markets” for more “efficiency” has actually resulted in the loss of protection for labour, where there are usually few safety nets. Any modest protection is undermined, wages are reduced and unions are often either co-opted or broken. The language itself of this neo-liberalism -- at least in English -- is very seductive. Take the word “flexible” – we all want to be “flexible”; no one wants to be “rigid.” Throughout neo-liberal ideology, one finds this sort of enticing language. “Full employment” as an objective disappears, resulting in a more general impoverishment of workers. We also know that wage employment is declining worldwide. Trade unions are reduced to fighting for a “living wage” and are told they must either adjust or lose out (Veltmeyer 1997).

Even when workers or labouring people think that some protection is built in for them, such as the compromise agreement within NAFTA, known as the North American Agreement on Labour Cooperation (NAALC), the operation and effectiveness are highly suspect (See the NAALC Report of the Independent Advisory Committee 2000). NAALC is “a weak institution” with no labour standards established among the three countries and essentially conforms to domestic labour laws. Its primary task is to make submissions of complaints public and seldom enforces fines or sanctions (Simmons in Boyd 1998: 31-33). As a side agreement in response to agitation from labour organizations, NAALC has been disappointing.

Examples of how capitalist market reforms or structural adjustment policies undermine labour and labouring people exist from South Africa to China (see the special issue of *Labour, Capital and Society* on "Confronting Neoliberalism" 1997). Let me cite the example of Shanghai where I visited recently. Shanghai has a population of 12.6 million, although the unofficial residence puts it closer to 14 million due to heavy migration from the countryside. As China embraces neo-liberal economic reform, there have been massive lay-offs in the state sector and wholesale closing of factories in that city. Long-term investment in factories has been lost while short-term speculative capital ("hot money") is favoured. Shanghai has had China's first stock market since 1992. One million people have been laid off with meagre pensions and little or no compensation because of lack of State funds. Those workers who remain employed are charged a fee to pay compensation to the unemployed that results in greater poverty all around. The situation has brought insecurities, social unrest and generalized impoverishment, especially where secure employment and social benefits were previously assured. Petras (2000) also has some important observations on the negative consequences of China's current strategy of insertion into the 'global economy'.

We have already heard from other speakers about the growing inequalities and widening income gaps between the rich and the poor worldwide. Based on the Human Development Reports, the income disparity has seen enormous acceleration: In the 1960s, the richest 20% earned 30 times the income of the poorest 20%; in the 1980s, the ratio was 50:1 and in the 1990s it was 70:1 with 1997 recording the gap at 74:1 (see Human Development Report 1992: 34 and subsequent years). Workers are poorer now even if they have a job often because of currency devaluation, removal of subsidies for housing and food as well as introduction of user fees. We are witnessing a fundamental problem of redistribution globally and nationally. There is a greater concentration of wealth, and I suggest that wealth is American-owned and American capital primarily worldwide.

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Gender critiques of SAPs

There has been considerable research by feminists in all regions of the world, even in so-called 'developed countries' where this neo-liberalism is also our struggle, especially in Canada. (There are many people-centred initiatives to combat the erosion to Canada's universal system of social services and to resist the introduction especially of a two-tier health care system.) This research demonstrates the profound negative effects on both men and women, as well as the way that we are differently affected because our roles, responsibilities and activities in communities are different. Let me just quickly mention some demonstrated evidence of the negative effects of structural adjustment policies (Sparr 1994).

- An increasing number of women scramble to find low income-generating work to maintain family income. We see higher rates of women in the labour force in lowpaying, less steady work. Evidence from Ecuador, Bolivia and Chile that when men lose their jobs or are underemployed, women face a heavier burden.

- As well, more women compared to men become unemployed. In Brazil and Argentina, the unemployment rates of female heads of households are higher than those where men are the heads of the households.

- Working conditions for women deteriorate. For example, Egyptian research illustrates an increased number of violations of their own labour laws with hiring girls below the minimum wage to ensure running public enterprises more "efficiently" in line with SAP philosophy. In Ghana, there is also evidence of women losing their job protection, security and benefits.

- Wage differentials between women and men grow. In Argentina, women's income fell to less than 50% of the average male income in both the industrial and service sectors in the late 1980s.

- Contraction of formal sector employment leads to more women entering the informal sector. In Argentina, women have regressed from semi-skilled to unskilled work losing legal protections and social security benefits. In Jamaica, an erosion of real wages has also affected professional women as well.

- Women become poorer, absolutely and in relation to men. Studies in Brazil and the Caribbean document that a sizeable increased percentage of poor households are headed by women. Thirty percent of poor urban households in Brazil are headed by women.

- Women's unpaid work escalates. SAPs involve cutbacks in social services, higher prices for basic necessities, greater unemployment and job insecurity. Women need more time to shop cheaply for the basics; food preparation takes longer; public transport fares rise so they often walk; and more time is spent caring for the sick and their children. In Chile, there is lots of evidence of how unpaid household labour increased with market liberalization.

- Progress with girls' education slows. Evidence comes especially from countries in Africa and Asia. In cases where school fees have been introduced, parents keep their girl-child at home as she is needed also for domestic help.

The above observations are just some of the ways that people's daily lives have been adversely affected by policies designed to promote economic growth with devastating social consequences. The critiques, the evidence, the protests and the alternatives are beginning to gain momentum around the world. From Jubilee 2000 to the Halifax Initiative (a Canadian Coalition for global economic democracy), resistance is increasingly organized to confront the corporate agenda which contributes to poverty, inequalities and environmental degradation.

Conclusion

As a way of concluding, I want to note some absences in my presentation which are also part of the story of the social consequences of a globalized world economy. I have not spoken of the complicity of the international arms trade as part of this "globalization agenda." Let me just mention that the democratic American President formalized a campaign to increase the sales of weapons abroad, specifically as an arm of general trade policy (Saul 1994: 11). This is a devastating decision, especially if we recall that at least 50 million people have been killed by war since "peace" began in 1945 (Ibid). I also did not focus on child labour (Boyd 1994) and the undernourishment of children or the devastating effects of the neo-liberal agenda – this new interventionist program – on the environment (see Rich 1994).

There is a well-known Aboriginal saying in Canada that goes, "We do not inherit the earth from our ancestors but rather we borrow it from our children." With this thought in mind, I ask "Where does this evidence take us, especially here in Cuba?" As I said in my opening remarks, contrary to the distinguished speaker from the Inter-American Development Bank, Cuba with its skilled labour force, high educational standards and good social indicators would pay a high price by introducing market reforms. This choice is *not* inevitable. Sovereignty of nation-states is still possible and desirable. They are *not* outmoded and we are *not* in an "interdependent world linked together by stateless multinational corporations" (Petras 2000: 108), as the rhetoric would have it. True, transnational capitalists are present today as never before and, true, we are working in areas previously outside of capitalist production. And true, there is an unprecedented concentration of capital and centralization of power, especially since 1989.

However, states have a role to play and are responsible to their citizens for the choices of economic policies. They are not silent partners. They need to make clearly informed and ethical choices for people-centred development, which is ecologically-sensitive and sustainable for the long-term. They have a responsibility to regulate goods, services, capital and labour for the "maintenance of the national community" (Levitt 1970) of citizens, for the public good. We all have a responsibility as human beings on this troubled planet to challenge and confront this interventionist agenda for global domination that is causing havoc in so many parts of the world.

POSTSCRIPT: The latest casualty for the World Bank is the resignation of Prof. Ravi Kanbur who was the main author of the Bank's World Development Report 2000. Prof. Kanbur resigned because he came under pressure from the U.S. Treasury to alter his latest manuscript to conform to the IMF/World Bank/Treasury's orthodoxy on globalization which maintains that opening markets to trade and investment is the most important policy that governments can adopt (Weisbrot 2000). There is no evidence anywhere that these policies work. In fact, if we were to look for examples of the success of the East Asian "Tigers" in the 1980s and early 1990s, we would see that they had highly regulated economies and well-planned interventions by their nation-states, not "free" or "open" markets.

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