

Follow the Money

By David Moberg

With little regard for the crescendo of well-reasoned skepticism from ordinary citizens and policy experts alike, the rich-country elite continues to blithely promote its agenda of globalization. It offers, as salvation for everything from recession to terrorism, more liberalization—that is, deregulation—of world finance and trade and more protection of corporate rights.

The fast flows of hot money that flattened Thailand and other countries in 1997 nearly generated a world financial meltdown and highlighted the perils of hypermobile capital. Now Argentina is in default on foreign debts and several other countries are on the brink of financial disaster, demonstrating once again the fragility of the global economy and the high toll that financial crises take, especially on the most vulnerable.

To demystify the world of global currency flows, Barbara Garson put her advance money for *Money Makes the World Go Around* into banks and a mutual fund and then followed it. While a small town bank finances understandable local business projects, Chase Manhattan often loans her dollars to other banks or to corporations for takeovers and stock buybacks, not tangible development projects. But Garson pursues her money trail, using

her own naivete as a way to introduce the reader in a chatty and charming way to the complicated world of global finance, eventually finding a Caltex oil refinery in Thailand partly financed with a Chase loan. She meets a sampling of migrant and Thai workers, who ultimately were hurt most by the Thai collapse.

In *The Chastening*, reporter Paul Blustein of the *Washington Post* intersects Garson's travelogue in finance-land at a more elevated level. He tracks International Monetary Fund officials as they botch the Asian economic crisis, worsening hardships in Thailand, Korea, Indonesia and elsewhere while trying to control the financial panic. The IMF officials seem dangerously ignorant of local conditions, dogmatically locked into inappropriate remedies and arrogantly removed from real-life consequences of their decisions. But what's striking in Blustein's engaging and revealing

narrative is how much the U.S. Treasury Department calls the tune for the IMF, how the United States insistently demands tough conditions for help, and how clearly U.S. policies serve the interest of big American banks and financial-services firms.

Asian economies that had been touted as great successes (despite political and economic shortcomings, some obvious, others concealed) were sud-



Books discussed in this essay:

Money Makes the World Go Around: One Investor Tracks Her Cash Through the Global Economy, from Brooklyn to Bangkok and Back
By Barbara Garson
Viking
342 pages, \$24.95

The Race to the Bottom: Why a Worldwide Worker Surplus and Uncontrolled Free Trade Are Sinking American Living Standards
By Alan Tonelson
Westview Press
222 pages, \$25

The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF
By Paul Blustein
PublicAffairs
431 pages, \$30

The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics
By William Easterly
MIT Press
342 pages, \$29.95

Empire
By Michael Hardt and Antonio Negri
Harvard University Press
504 pages, \$18.95

The Future in the Balance: Essays on Globalization and Resistance
By Walden Bello
Food First Books
264 pages, \$13.95

The Amoral Elephant: Globalization and the Struggle for Social Justice in the Twenty-First Century
By William K. Tabb
Monthly Review Press
224 pages, \$18

Globalization from Below: The Power of Solidarity
By Jeremy Brecher, Tim Costello and Brendan Smith
South End Press
164 pages, \$13

denly blamed for the crises, but Blustein makes it clear that the primary culprit was the rapid outflow of short-term capital (mainly bank loans to private businesses) that had flooded into those countries. The boom and bust were both made possible because the United States had strongly pressured these countries to eliminate controls and open themselves to more foreign capital.

Although eventually—on the second try in Korea—the IMF managed to corral creditors into getting slow repayments rather than pulling their money out immediately, the bailouts protected the bankers from losses (and encouraged them to be reckless again) and crushed workers, peasants and domestic businesses. The “incredible hawks” at Treasury (in the words of one IMF official) were only interested in using the crisis to force their own socio-economic model on the countries.

Blustein concludes that “global capital markets have gotten so huge, so unruly, and so panic-prone” that the IMF can easily be overwhelmed. As remedies, he argues for taxes on short-term investment, “bail-in” schemes requiring private creditors to be part of any solution, and IMF power to impose a “standstill” during a bank panic. These worthy but modest measures, however, do not provide enough social control to make sure that global capital is tamed—an ox pulling the plow, not a wild bull in a china shop.

The mission of the World Bank, an often grudging partner of the IMF in bailing out troubled countries and imposing immiserating austerity, is supposed to be development and elimination of poverty, but by the bank's own admission it has failed about 60 percent of the time. William Easterly, a senior adviser at the bank, recounts in *The Elusive Quest for Growth* how he and others have often gone wrong in their search for a magic elixir that would generate economic growth. He contends that financial aid, investment in machinery, education, population control, loans and even debt forgiveness have rarely led to economic growth. His solution is misleadingly simple: Provide people with incentives to invest in their future.

During the Asian currency collapse, IMF officials proved to be dangerously ignorant of local conditions and arrogantly removed from their policies' real-life consequences.

Easterly acknowledges a role for government in creating incentives and providing basic infrastructure and services, but more often, he suggests, government in poor countries creates obstacles through corruption or bad policies. Yet his belief in the magic of free trade is not supported by the experience of most countries that have sustained economic take-off, especially the Asian countries that prospered with extensive intervention in, even violation of, free markets. Although many developing country governments are toadies of local economic elites or kleptocracies that block development, Easterly ignores how rich countries and multinationals use their power to determine prospects for development.

Easterly acknowledges inequality as a major barrier to development, but he pays little attention to the lack of democracy in poor countries. Even by his account, the experts do not know so much about economic and social development that they should be overriding local self-determination. Development, which he says may largely be a matter of luck, clearly relies on many complementary factors (including incentives), but we might as well encourage those things that are social goods in themselves, such as education, environmental protection, health, equality, democracy and human rights, many of which foster long-term growth.

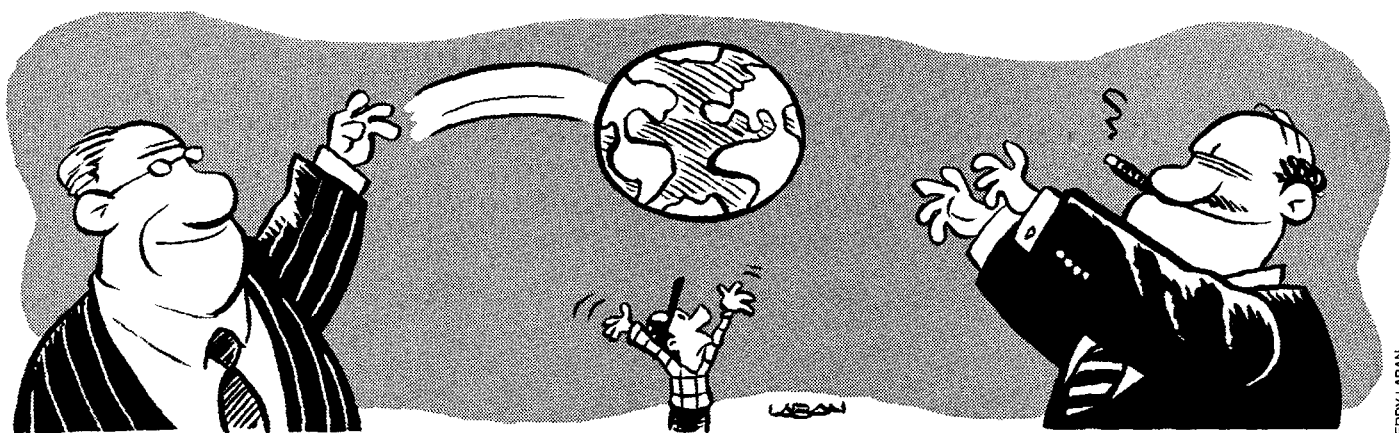
Walden Bello, a Filipino scholar-activist, thinks that the IMF, World Bank and World Trade Organization are so bankrupt that they cannot be reformed. Unlike advocates for an update of the Bretton Woods framework that shaped the postwar

international economic economy, Bello thinks it might be better to have no powerful central institutions, which he says only serve the interests of rich countries. Some of the critiques of these institutions in his latest collection of essays, *The Future in the Balance*, are now familiar to people who follow the anti-globalization movement in the United States, which Bello himself has played an important role in developing.

One of Bello's recurrent themes is criticism of U.S. unilateralism, and he applies it equally—sometimes without appropriate distinctions—to both the government and to movements in the United States. For example, although he calls himself an environmentalist, he attacks U.S. laws that try to impose environmental regulations on products and processes from developing countries (such as devices to prevent killing turtles while shrimping). He agrees with many American progressives that China should not be in the WTO, but he forcefully attacks the campaign to indirectly block China's entry. While he correctly criticizes the knuckleheaded alliance of Teamsters President James P. Hoffa and Pat Buchanan, he also glosses over legitimate progressive criticisms of China's ruling elite.

The multilateralism that Bello advocates is preferable but unattainable. The United States certainly has a flawed record (especially on labor rights), but unilateralism by labor, environmental and other movements in the United States—even by the government—can be justified as the best practical option. Too often Bello—who certainly knows better—fails to clarify that the policies he criticizes represent the United States acting, as usual, on behalf of corporate interests that are at odds with what American workers, small farmers, environmentalists and other citizens want.

Bello's defense of traditional development strategies, like protection of infant industries and focusing on growth of domestic markets, offers an important alternative to the Washington consensus. It also clashes in some ways with the argument in *Race to the Bottom* by Alan Tonelson, a research fellow at the U.S. Business and Industry Council, who is also a critic of contemporary globalization. While Bello sees the



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WTO as a tool of the rich countries, Tonelson implausibly describes the WTO as “anti-American” and “protectionist dominated.”

Tonelson argues that the entry of vast new low-wage labor markets into the global economy has driven down wages of American workers, including many skilled workers. These new workers are paid so little that they can’t buy much from the United States (or anyone); their governments often block imports from America; and the market for their products is overwhelmingly in the United States. The resulting trade deficit, unique to the United States among major trading countries or blocs, is unsustainable, he writes, and could ultimately lead to a global economic crisis.

Although he criticizes mercantilist or protectionist policies of countries like Japan, India and China, the real problem, in Tonelson’s analysis, is the changing nature of trade: At least 30 percent of all manufacturing trade involves shipping components to one country to be incorporated in goods that are then exported, often back to the original country. Much of that “trade” is within one firm. Increasingly the work in a low-wage country involves high-skilled work, even design, that might otherwise provide well-paid jobs in the United States. Tonelson’s concern for American workers is well documented, but he disregards the question of how poor countries can develop.

The root of the problem—for both Bello and Tonelson’s quite different but legitimate concerns—is the power of the multinationals to make decisions about investment without

accountability to workers, communities and governments.

Michael Hardt, a literature professor, and Antonio Negri, an imprisoned Italian leftist, might argue that these problems of globalization reflect a new “sovereignty”—which they label *Empire*—that has no boundaries, exists beyond history, rules social life intensively, and maintains peace with bloody hands. *Empire*, an irritating, often pompous work, is complex and erudite but also full of silly and contradictory arguments. The central thesis is that we are now in a new stage of capitalism, quite different from older colonialism or imperialism. While they argue that the state has been defeated and corporations rule the earth, *Empire* appears as a rarefied, ethereal, almost theological form of a state that rules everything—even if the United States has a “privileged” position, it is not in control.

At one point they argue that intellectual labor and the service or information economy, not factory work and physical production, are now central to capitalism; at other points they unpersuasively argue that at the center of the system are the poor or migrants, nomads, deserters and other “new barbarians” who constitute a new and powerful form of class struggle against *Empire*. Then they quite improbably argue that anti-globalist protesters are incapable of communicating with each other (at a time when a global movement is more alive and coordinated than in many decades) and celebrate individualist acts as effective rebellion. Elsewhere, they argue that the contradictory legacy of the Enlightenment is the problem and postmodernism the solu-

tion—with Islamic fundamentalism being offered as the (highly unappealing) prime example of such postmodernist revolt. For all the intellectual sparks and billowing clouds of obfuscatory smoke, there’s no real fire in this trendy treatise. (See “Where the Sun Never Sets” by J.W. Mason in the January 21 issue for a full dissection of *Empire*.)

The global order that has emerged since the ’70s is indeed different from preceding epochs of capitalism, but in *The Amoral Elephant*, William K. Tabb, a Queens College economist,

The effects of these frequent financial crises continue to hurt workers and the poor long after the official recovery.

much more accurately places globalization in a long history of capitalist development. Even with the presence of quasi-state organizations like the IMF, the United States still plays a powerful role as the central power, and states still have powers that they don’t always use, despite erosion by global corporations and markets.

Tabb, in a more prosaic way, does a much better job of accounting for the erosion of “national Keynesianism” and the remaking of states to serve transnational corporations. Even if globalization generates growth, he argues, it does not automatically serve the interests of workers or most citi-

zens; it does not fairly distribute the wealth; and it may lead to disruptions, inequity and interference with pursuit of social goals that overwhelm any gains in efficiency.

Tabb notes, much as recent Nobel laureate and former World Bank economist Joseph Stiglitz has also argued, that the negative effects of increasingly frequent economic crises hurt workers and the poor long after the official recovery: Economic processes, like destruction of industries or interruptions of education, are not easily reversible.

Like Tonelson, Tabb blames globalization for American workers' declining wages and for at least two-fifths of the rise in inequality since the early '70s, but he argues that the problem is not trade but the lack of standards. Tabb embraces Blustein's modest proposals for handling crises but also argues for a tiny Tobin tax on all global financial transactions, wider capital controls and a constitution for a global economy modeled on the U.N. Declaration of Human Rights.

Quite unlike Hardt and Negri's confused sketch of postmodernist rebellion, Jeremy Brecher, Tim Costello and Brendan Smith, three anti-globalization activists and writers, advance a much more practical vision of a decentralized but coordinated "globalization from below." It's a strategy that is both local and global, operating at many social levels, and even juggling contradictory elements (like the discrepancies between Bello and Tonelson). They rightly point to limitations of nationalism, including the hope of "delinking" countries from the world economy. I think they ignore the continued importance of the nation-state, acting with other nations, as a way to control corporations and capital markets and as an arena for democratic action—which ultimately must include winning over political parties and governments to an alternative globalization, even if the social movement retains its independence.

But as a handbook for organization and a catalog of ideas in its "draft of a global program," *Globalization from Below* offers a hopeful, idealistic but still pragmatic call for a new, more democratic global order. ■

Not So Innocent

By Matthew Price

Pity the Victorian bourgeoisie. Upright, uptight, prudish and prim, they were, well, so Victorian. Baudelaire loathed them; Marx vilified them; and Bloomsbury wit Lytton Strachey dethroned their heroes in his waspishly arch demolition job *Eminent*

Schnitzler's Century: The Making of Middle Class Culture, 1815-1914

By Peter Gay

Norton

352 pages, \$27.95

Victorians. The combined effects of these assaults have left their reputation in shambles. To be sure, the Victorian middle classes—with their improving ways, their ostentatious rectitude, their coarse philistinism—are easy targets. But if the title of a recent book—*Inventing the Victorians*—is anything to go by, we smug moderns have it wrong: The "Victorians" are a pure figment of the historical imagination.

Historian Peter Gay would no doubt concur with this sentiment. "All generalizations are wrong," he said in a recent interview, and our shopworn

epithets about Victorian culture are merely an incitement for his revisionary zeal. For much of his career, Gay has had one mission: to rescue the Victorian middle classes from the enormous contempt of posterity. In contrast to Gertrude Himmelfarb, schoolmarmish champion of "Victorian values," his work is not marred by overweening political biases; he is far more interested in the fraught psyche of the middle-class mind than the ideological uses of Victorian morality. In his masterly, five-volume historical epic, *The Bourgeois Experience: Victoria to Freud*, Gay exhaustively catalogued the diverse attitudes of the 19th-century middle classes, their often complicated views on sex, their tastes and passions, their hates and neuroses. It is a work deeply informed by Freudian insights; he put an entire class on the couch and plumbed its mysteries.

In his latest work, Gay has taken up the same preoccupations, drawing on examples from France, Britain, Germany and the Habsburg Empire, which informed his previous work on middle class culture, how we misunder-



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