



# The Neo-Capitalist Assault

Essay One of Part I (The Economics of Reference)

April 2001

GLOBAL ECONOMIC DEVELOPMENT – A TLWNSI ISSUE ESSAY SERIES

## The World Today, The Economic and Political Ethos in Which We Are Living

By Alvaro J. de Regil <sup>a</sup>

---

*From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the first in the series “The Neo-Capitalist Assault” –a collection in development about Neoliberalism by its Executive Director.*

*The essay establishes the philosophical scope and moral principles upon which TLWNSI is anchored and describes the current economic and political ethos. It opens by establishing its central principle and its philosophical framework. It subsequently presents the basic principles and fallacies of economic Neoliberalism and then establishes the right moral angle. The fundamental principle in the essay is that human solidarity must be above all other values, for it is the only path to human co-existence. Otherwise, we will not survive with an ethos of narcissism and hedonism that claims that individualism is the way to go, for imposing the latter ethos would take us back to the worst of our human nature and would put us on the path of conflict and destruction.*

*The reader will notice that despite the fact that the essay was prepared in early 2000 –before September 11, the Argentinean Crises, the Bush mock election and, to be sure, the U.S. invasion of Iraq– its perception is quite evocative of the now openly imperial imposition to the world of the U.S. hegemonic geopolitical agenda.*

---

### Summary

- ❑ A Human Spirit Above All
- ❑ Democratic Principles and True Democracy
- ❑ A Cession of Sovereignty
- ❑ A Counterbalance to the Excesses of Neo-Capitalism
- ❑ A Global Democracy for a Global Economy
- ❑ In Pursuit of the Common Good
- ❑ A Global Common Good
- ❑ The Role of the United States and the First World in the Neo-Capitalist Assault
- ❑ The Other Members of the Group of Seven
- ❑ The Rewards for the Globalization of the United States

Economic Neoliberalism, or, more accurately, economic Neo-Capitalism, is dominating the world’s human development at the end of the third millennia. Its proponents claim that this is the only way to achieve efficient economic growth. And, claiming it to be supported by science, they contend that its theory is irrefutable and uphold its postulates as the ultimate truth. But there is no ultimate truth that any of us imperfect beings can claim to hold or to have discerned from our collective intelligence. Thus, those who claim to know the ultimate truth on any area of the social sciences are pretentious and misguided. For we cannot aspire to know the ultimate truth on something that is affected by our imperfect thinking, biased at every corner,

because we can only observe from perspectives, bound by our philosophical limitations. Instead, we must appeal to our human nature, to the very best of our high spirit.

Nonetheless, what is an undisputable fact is that Neo-Capitalism reduces humankind to a mere factor of production, along with capital and natural resources. I contend that this is wrong. We cannot reduce to mere formulas the faith of hundreds of millions of people who become subjects of visions based on a set of morals that uphold the accumulation of wealth as its central value. These visions disregard the need for human solidarity and claim that the right way is for individuals to be responsible and look out each one, individually, for his or her own sake. We cannot accept such values, which are deprived of the best part of our human nature. We have to remain conscious of our responsibilities as members of the human community and insist on maintaining the basic values that recognize our ineluctable dependency on our fellow peers with whom we interact everyday. We cannot elude the fact that we all need from society, in one way or another.

Thus, claiming that individualism and the survival of the fittest is the way takes us back to the worst part of our human nature and to the primeval instincts of survival when our species was just evolving. Individualism reduces us to the law of the jungle, to the level of mere apes or barbarians in a scene of social Darwinism. Charles Darwin himself regards, as part of our moral sense, our need to relate with other human beings and society at large. In his *Descent of Man* he explains that *as man is a social animal, it is also probable he would inherit a tendency to be faithful to his comrades, for this quality is most common to most social animals.* And he quotes David Hume's remarks that *there seems a necessity for confessing that happiness and misery of others are not spectacles altogether indifferent to us, but that the view of the former...communicates a secret joy; the appearance of the latter...throws a melancholy damp over the imagination.*<sup>1</sup> These moral values, from two still influential thinkers, are as fresh as ever and only reinforce what has been recognized since the times of Greek philosophers: that we cannot ignore our role as members of human society, let alone as members of more concrete groups, as members of our nation, of our province

or state and of our local community. We cannot survive with the ethos of narcissism and hedonism. And this is the central principle of this dissertation: That those who are in the centres of economic and political power must allow all members of society to aspire to social justice, with the intent to secure the means for a reasonably decent quality of life, because human solidarity is the only path to human coexistence. And, thus, human solidarity must be above all other values.

### ***A Human Spirit Above All***

Throughout the history of humankind, the different cultures have produced a framework of ethical values that slowly appeared to have made possible the advancement of society, or so it seemed before the open increase of U.S. unilateralism of the last decade. However, regardless of how we judge our progress, I believe that it is a matter of political will and high moral values to have within our reach a better world, a solidaristic world that puts above all other principles the principle of social justice and human solidarity. Putting our high spirits above material possession will make our societies richer spiritually and materially. Therefore, rather than embark us on an arrogant and fruitless attempt to define which economic theory and philosophical principles hold the ultimate truth, we should concentrate on defining the positive elements of our collective knowledge in the social sciences and apply them in a rational and constructive way to achieve a sustained economic and social development. In this way, we would generate the most benefit to every rank of society.

One of the constant flaws in the history of societies is that we tend, all too easily, to claim to hold the ultimate truth. And, in that process, we have been very prone to move to the extremes with fatal consequences. Thus, however imperfect neo-capitalist economic theory and our collective thinking on the ideas of social development may be, we should recognize that taking the best ideas of both would provide us with a balanced conception of the right path to social development. History has shown us that neither extreme Capitalism nor extreme Socialism brings real social development for the majority of society. History has also shown that Capitalism is the least imperfect idea to bring about human development. But, this must be complemented

by an array of social development ideas that are perfectly congenial with the intrinsic capitalist goal of wealth creation. This is the first point I want to make: that combining social principles with capitalist goals, with the human spirit above all, is the only way to find the right path towards sustained economic and social development. This is the criterion that I apply throughout the course of this work.

I need to insist on this idea and on its philosophical structure because there is one fact that I believe that most people would agree on: That regardless of how different our set of values may be, we all need to coexist. Otherwise, if we reject the idea of coexistence, we are embracing the idea of destruction, of the annihilation of our species. Those who have been able to amass power and wealth cannot ignore the fact that disregard for those who lack almost everything will only generate conflict, hatred, and destruction. But, it is upon the will of those that possess to appeal to their high spirits and see in solidarity the value of coexistence, of justice and good deeds. These values to which I appeal have always existed and have been struggling forever against the worst of human spirit. In plain words, it is the struggle of good versus evil. We all have good doses of both in our nature. But, I believe that it is at this time, more than ever, that we have within our reach the means to support social justice.

Although lately it seems that we are losing the battle of good versus evil, the world today has the capacity to provide all that is required to cover the basic needs of every individual, if those in power have the will. And, yet, it seems that we find ourselves farther today than in the last fifty years from winning. It seems that selfishness and greed have triumphed individually and collectively. In Western societies, we have replaced traditional moral values with the most hedonistic material prevarication. Since the world built a great idea of cooperation through the accords of Bretton Woods and the United Nations, at the end of the Second World War, we have gradually renounced their principles and moved into a new ethos where the market is the new religion in the world. It is time to refresh our vision of the world and our moral principles. Oswald Spengler regarded economic thought as something directly derived from the spirit, for he

regarded mankind's every economic activity to be the expression of every psychic activity.<sup>2</sup> It is a matter of attitude transformed into political willingness.

### **Democratic Principles and True Democracy**

In today's era of globalization, everybody takes for granted, in the countries that are considered to be democratic, that, generally speaking, their citizens enjoy a democratic life. In reality, in many instances nothing can be farther from the truth. There are many countries that are officially considered democratic and yet systematically violate the most basic elements of democracy including some of the so-called "beacons of democracy." As I wrote this chapter, the Chilean government was fighting in the British courts to uphold the argument that the human rights violations that *senator-for-life* Pinochet committed during his rule are an act of state, in order to avoid his extradition to Spain. Pinochet's legal counsels, in his fight against extradition, have dared to say that torture can be an act of state and that torture can be an official act of governments.<sup>3</sup> Pinochet is not the only *senator-for-life* in Chile; several members of his military junta are *senators-for-life* as well. This prerogative was imposed by Congress to guarantee their impunity to all the crimes they had committed during their rule. Concurrently, in terms of economic policy, the Chilean military government implemented the recipes of the so-called "Chicago boys" and Milton Friedman during the 1970s and 1980s; becoming the first Iberian American country to neo-capitalize its market by passing legislation through a military-controlled congress.

The Mexican governments of the PRI have always proclaimed to be democratic governments as well. But, they consistently violated electoral laws in every democratic process. They had also refused to obey the two-year-old recommendation of the Inter-American Court for Human Rights to release a General of the Mexican Army who recommended a human rights ombudsman inside the armed forces. Indeed, human rights violations in Mexico increased exponentially during the 1990s, placing Mexico at the top of the list of most international human rights organizations. As for the economic arena, it passed without effort the approval of NAFTA, also through a government-dominated Congress. And, more recently, it negotiated

another free trade agreement with Europe, albeit it had been delayed due to the initial refusal of the Mexican government to accept the democratic clause, and due to the assassination of forty-seven people in Acteal, Chiapas, in December of 1997, perpetrated by the then ruling party's paramilitary squads; a crime which was denounced worldwide. But in spite of these and many other flagrant violations, there remained little doubt that it would be signed, as it was, by the year 2000. Yet, the government considered itself democratic, and Mexico was treated as such everywhere, including by the European Union, in spite of its human rights concerns. The bottom line is that the government's anti-democratic actions were not really jeopardizing its economic interests. The democratic clause in the trade agreement of the European Union does not go beyond being a token of good intentions. Thus, the government acted with open impunity, knowing that, despite occasional complaints from very highly respected international organizations, nothing would derail its economic and commercial agenda.

The real problem is that Mexico and Chile are not a rare case. There are many so-called democratic countries that do not abide by their democratic principles, and nothing really happens. Not surprisingly, the only guiding principle in international relations is money. It is all about money. It is all about economic interests. And this is true for both the so-called mature democracies as well as for incipient democracies like Mexico and Chile. It so happens that economic and geopolitical interests supersede democratic principles everywhere. Before Neo-Capitalism came to vogue in the 1980s, there was pressure, primarily from the U.S., on Third World countries to become democratic, as long as the governments protected the capitalist system and U.S. corporations. In contrast, when truly democratically elected governments had plans to make changes to the economic structure and had a socialist but democratic agenda, there were clear instances of U.S. intervention. Chile's Salvador Allende and Guatemala's Jacobo Arbenz' governments were clear examples of U.S. intervention to remove them from office.

On the other side of the spectrum, the Suharto government in Indonesia was a big violator of human rights, including the killing of over

800,000 people in East Timor after it invaded it and took possession by force in 1975. A similar but not as harsh case occurred in the Philippines during the Marcos regime, which was another mock democracy. The same mockery is descriptive of democracy in countries like Thailand and Malaysia. Back in Iberian America, scores of military juntas ruled in most countries and blocked democracy for the greater part of the last fifty years, protecting domestic and foreign economic interests with the support of the Western Powers.

In Africa, the story is even worse. All the developed countries had largely ignored rampant hunger, disease and the tribal wars that have left millions dead, as long as their economic interests remained protected. In South Africa, before the fall of apartheid, the complete lack of democracy and the human rights violations inside the country as well as outside, in numerous aggressions against its neighbours, were largely ignored despite the fact that the U.N. condemned them. The most recent example is the dichotomy in the attitude of the West between Iraq and Turkey relative to the conflict with their Kurdish population. In the case of Iraq, the U.S. and its allies have continuously denounced the flagrant violation of human rights against the Kurds in Northern Iraq, but nothing has been said about the same violations of the Kurds by the Turkish government. No serious questioning will be made about the faith of Kurdish leader Abdula Ocalan taken prisoner in February of 1999. The difference is that, while Turkey has been an old ally, Iraq and Sadam Hussein are threatening the West's enormous oil interests in the region. The U.S. and Britain have been especially ready to punish Iraq, politically, economically and militarily, while they and continental Europe, through NATO, have been slow in reacting to the Serbian massacre of the ethnic Albanian population in Kosovo, where they have little economic interests.

Many violations of human rights or against democratic governments have been made by the economic powers in the name of democracy. But, they meant a capitalist democracy that protected the interest of their corporations against the interest of the population that was being systematically exploited. The democratically-elected government of Arbenz in Guatemala



carried out extensive social reforms that included land redistribution and the support of union activity. However, it was crushed in 1954 through an orchestrated military coup, in the name of the cold war against communism, because the exploitative structures that benefit both domestic and foreign capital were put in peril.

### *A Cession of Sovereignty*

Nowadays, after the fall of the Soviet Union, the lack of the communist enemy, perhaps, has made it more necessary for the neo-capitalists to become more obvious, uphold the virtues of laissez faire ideology, and impose them in the periphery. Thus, these virtues are imposed, supposedly democratically, but rather, in a totalitarian fashion. Either the countries join, irrespective of the effect on the welfare of the population, or they become outcasts. I ask, is market liberalization, a condition imposed in multilateral lending, a democratic measure? Are the individual citizens and civil society of a borrowing country asked if they accept the conditions imposed by the IMF, which will make life for most of them harsher for years to come? Of course they are not asked, and their governments, the perpetrators of their economic crisis, are imposing neo-capitalist structures to remain in power at the cost of a substantial loss of sovereignty, since they are no longer able to define their own economic agenda; it is dictated by the centres of power through multilateral financial institutions.

The truth is that the governments of all the countries that violate human rights and democratic principles, but protect their direct economic interests and the geopolitical and economic interests of the powers that provide them with the legitimacy that they do not receive from their people, are completely corrupt. They exercise crony Capitalism, the kind that the pundits of Neo-Capitalism in the western powers are blaming to justify the problems that the Third World is encountering with the opening of their markets. But, these governments exist not because they were elected through a truly free democratic electoral process, but because they control the political system with the acquiescence of the Western powers.

In Iberian America, this has been the rule of the game for most of the last century with sporadic spouts of true democracy, which are accepted by the Western powers as long as they play the game. Notwithstanding these facts, some progress has been made. In the last ten years, the military governments have largely been eradicated in Iberian America, although democratic life still leaves a lot to be desired. But, the common denominator has been that, while some signs of democratic progress have been achieved, cronyism remains the dominant type of Capitalism. Cronyism is the kind of Capitalism where the group in power becomes a mafia and promotes the formation of oligopolies and monopolies in which they themselves and their families directly benefit. This has been the typical case in most countries in Iberian America and in Southeast Asia, especially now, when they have gone through a period of transition selling many government-controlled companies to themselves and their cronies. Again, some level of democracy has been achieved, but its consolidation is still very much in doubt. Meanwhile, the governments of these countries have embraced market liberalization faster than in most other places, while their social indicators have deteriorated showing the fastest re-concentration of wealth in the world.

How has this come to occur? These governments have been particularly supported by the G7, the group of the seven richest nations, in exchange for their acquiescence to the opening of their economies. Of course, these events are not self-evident. They follow a process. Cronyism and ineptitude to manage their economies have put these governments as hostages of their own doing. Thus, in order to obtain financial support to stabilize their economies, they must follow the stabilization programs of the Bretton Woods institutions, especially of the International Monetary Fund (IMF), whose main feature is what is commonly known as the element of conditionality. IMF conditionality for lending requires that borrowers take steps to adjust their economies in line with the neo-capitalist paradigm.

The immediate consequence is that all borrowers lose a great degree of sovereignty. And, even if the political process in these countries evolves into truly democratically-elected governments,

they still have their hands tied with the IMF and cannot exert their sovereignty. In the case of Iberian America, the 1980s have been called the lost decade. But, I contend that the 1990s have been as bad if not worse. While in the 1980s many countries became highly indebted due to the tremendous irresponsibility of both lenders and borrowers, in the 1990s they have continued to be net exporters of capital through debt servicing, their social development indicators have worsened, they are now immersed in the global economy and have lost considerable sovereignty. And in terms of expectations for a better quality of life, they are far worse now than in the 1970s.

As a result, democracies in most developing economies are incipient, their economic progress is stalled, if not regressing, and a great deal of sovereignty has been transferred directly to the IMF and sometimes to the U.S. Government. A case in point is again Mexico. In 1995, the rescue package of its economy used as collateral its oil exports' revenue to guarantee the lending arrangement. The rescue package funnelled through the IMF required Mexico to relinquish a good deal of its sovereignty. The deal required that much of the revenue of Mexico's monthly oil exports be deposited in the heart of Wall Street with the U.S. Federal Reserve Bank of New York. Then the U.S. would release these deposits, as Mexico would make its monthly instalments. This was a first in the history of modern Mexico.

### ***A Counterbalance to the Excesses of Neo-Capitalism***

When democracy is incipient, the perils of Capitalism become present with great detriment to the welfare of the population. The premise of Neo-Capitalism, that each individual ought to look out for their own sake and that that would provide the best allocation of resources, is not less utopian than the paradigms of Communism, like the idea of a classless society. Thus, we ought to look for a democratic process that can bring about a sustainable capitalist global economy. I believe that Capitalism for the foreseeable future is here to stay, but I also believe that democracy is also here to stay. And we better make sure that it stays and that it spreads out the same way that the global economy is going. For democracy is the only counter-balance to the excesses of Capitalism.

Therefore, what we have to concentrate on is that all play the game under the same rules. That is to say, that all arrangements be applied to every country the same way, because they currently are not. There is a clear imbalance in the application of the global economic system. Borrowing the title of Mexican historian Enrique Krauze's book, *For a Democracy Without Adjectives*, this is precisely what is needed. We cannot have selective democracies with senators-for-life or with official parties; we cannot have only the type of democracies acceptable to the interests of the economic powers, where national governments prey on their citizens; we cannot have a global economy where economic powers have different codes of conduct and special prerogatives. What we need is a political economic system that is the result of collective decision-making by all nations and applied the same way across the board.

### ***A Global Democracy for a Global Economy***

The element of a truly democratic system is of the utmost importance for the fair implementation of a global economy. If we are going to have a global economy, then we also need a global society and a global democratic system. If we admit that, unlike with the natural sciences, there are no ultimate truths in the social sciences, then we must admit that neither economic theory nor political theory are free of inconsistencies. Thus, we cannot accept neo-capitalist paradigms without democratic paradigms. This means that the same way that governments are giving up some degree of sovereignty in economic policy, they will also need to cede some degree of sovereignty in political policy. At the minimum, basic individual constitutional guarantees must be duly observed, as well as a due electoral process and a participatory structure of government. In essence, governments need to earn power by a truly democratic process and behave throughout their term in the same fashion. If Neo-Capitalism promotes economic competition, then it must also allow for a democratic process that demands truly democratic competition for political power.

Forcing countries to abide by a democratic process is extremely important in order to achieve what I call a sustainable-democratic-Capitalism. This should be the responsibility of those countries that hold economic power. Its praxis can begin to be illustrated by the democratic clause that the European Union is starting to use

in the negotiation of its trade agreements, albeit the true quality of democratic process still leaves a lot to be desired. The first time that the European Union has used this clause has been with Mexico. The human rights violations that have occurred in Chiapas have generated a great deal of questioning and criticism from the part of the European Parliament. The Chiapas problem began when the Zapatista Army declared war against the Mexican government the first day of the North American Free Trade Agreement (NAFTA), in part, because the faith of the majority of the population had not been taken into consideration, and the agreement was passed by a government-controlled congress, as I had mentioned. However, I am certain that, if the Zapatista Army had not risen in arms, the repression of the Mexican government on the indigenous people would have gone unnoticed, and the Europeans would have not questioned the PRI government at all. Still, PRI governments are completely corrupt and anti-democratic. The same thing can be said of Chile. If Spanish judge Baltazar Garzón had not issued a formal request, based on international law, for the extradition to Spain of senator-for-life Pinochet in England, no government, including the Spanish executive branch, would have questioned the validity of the democratic system in Chile. Thus, it is obvious that the bar for the quality of democracy needed among members of the global economy needs to be lifted dramatically.

Therefore, the European Union, the United States and all other mature democracies need to promote the application of due democratic process in all the countries with incipient democracies or with outright dictatorships and use economic clout as leverage. And the United Nations, the Bretton Woods institutions, the World Trade Organization, regional development banks, OECD and other international organizations need to operate by the same code of conduct and require that member countries of the global economy maintain truly democratic systems. By the same token, the First World needs to abide by the same principles and cede the same amount of sovereignty that the rest are surrendering in economic policy. This is the only way that we can aspire to a sustainable global economy.

However, based on the past record of the members of the group of the seven richest nations, this may sound like a lot of wishful thinking. The G7 group,<sup>4</sup> led by the U.S., has a tight grip on the Bretton Woods Institutions. This has been the situation from their foundation. The voting system of the Bretton Woods Institutions is based on a one dollar-one vote basis, unlike with the U.N. system where voting is on a one country-one vote basis.<sup>5</sup> So, while the rich nations control the monetary system, the United Nations system is much more democratic despite the fact that five nations, including the U.S., France and Britain, have veto power in the General Assembly and on the Security Council. But, this more democratic arrangement has generated a hurdle in which the U.S. consistently is late in its fees due to the U.N., and it has openly boycotted several of its agencies where it has no prerogatives and where resolutions are taken through a one country-one vote democratic process. The other hurdle is that the U.S. has traditionally promoted and supported crony capitalist governments in the Third World, whose excesses in the use of Neo-Capitalism are so pervasive that, if democracy is not promoted, conflict and social revolts will grow exponentially as economic crises unfold much more, and suffering will become unbearable. In contrast, if the U.S. and other developed economies were to promote true democracy, the redistribution of income, the improvement in the quality of life and the gradual addition of hundreds of millions of consumers to the world economy, bringing benefit to all parties much more evenly, would come about. It is, then, critically important to demand that the developed world acts in congruence with its democratic preaching and allow the other members true self-determination.

To be sure, the United Nations system must be revamped, and respect by all members must be reinstated. The weakness of the United Nations is the result of systematic manipulation and abuse of its charter by the U.S., its most powerful member, and by many other members, and of frequent violations of its resolutions, many of which are the result of heavy-handed political pressure. Indeed, the United Nations has fallen rock bottom in its ability to reach consensus and in making members observe its resolutions. And many member states have failed to abide by their obligations, albeit I believe it has been the group

of the seven most powerful nations that have set the worst example by boycotting the United Nations while at the same time manipulating it to fulfil their national interests. Furthermore, The Bretton Woods Institutions, the World Trade Organization, the Organization for Economic Cooperation and Development and other multilateral institutions must also be revamped with new roles and a good degree of democratization in their charters. And the U.S. needs to set the example for cooperation by abiding by its obligations and controlling its imperialistic anxieties. The world needs a truly democratic community of nations. Thus, the First World cannot continue to have its cake and eat it too.

Regardless of how the U.S. will react to any demands for a true democratization of economic and political institutions, including multilateral institutions, the only leverage that citizens of developing nations have against *big brother* pressure is the institution of a global democratic political system. I have previously explained that Neo-Capitalism is being imposed, non-democratically, in a totalitarian manner. Thus, the only way to counterbalance it is for the citizenry of each country to achieve self-determination by achieving a participatory democratic system. In this way, when it comes to the negotiating stage, each government will have enough leverage to demand adequate conditions for its industry, for its workers, for its agricultural sector and for its society at large. And if the conditions that are being proposed were not acceptable, then they would have the liberty to opt out. That is to say, even if some sovereignty had previously been ceded by Third World nations, each democratic government should maintain enough self-determination to relinquish previous commitments and reject inadequate agreements if its Civil Society so desires.

### ***In Pursuit of the Common Good***

I have mentioned previously that the social sciences cannot aspire to perfect knowledge unlike the natural sciences. The former will always contain inconsistencies. Although modern economics has produced a great deal of empirical mathematical research, its contribution will always be directional and used in conjunction with political economics, for, as George Soros argues, the social sciences are

always subject to the influence of those who think and participate in the subject matter.<sup>6</sup> Thus, political economics will always play a significant role because much decision-making is based on economic theory used discretionarily in accordance with political motives.

Both political and economic thinking in line with the perceptions and vested interests of decision makers permeates decision-making policy in modern democracies. This decision-making process is responsible for much of the faith of nations and bears the highest level of responsibility in human history. At the threshold of the third millennia, western culture is embedded with democratic principles. However, in the real world, democratic life is moving farther and farther away from its postulates. Societies' cultural attitudes are increasingly immersed in cynicism and hypocrisy. There is a tremendous gap between what is said and what is done. There is growing talk about the dramatic loss of values in our societies. Moral values, work values, family values, social values, democratic values, all are being downgraded by our behaviour. Freedom is increasingly confused with *libertinism*, or an abuse of freedom, and a lack of self-respect and respect for other people. Like a friend at the World Bank recently mentioned, *the I has superseded the us*. Our culture has transformed our values and promoted everything that implies self and immediate gratification. Consumerism and material possession is the new standard of success. It no longer matters what we are and how we behave. What counts is material success. If we make a fortune by destroying the livelihood of somebody by legally accepted means, the moral angle does not matter. This is our new ethos. As I write these lines, Eric Fromm's book *To Have or to Be*, comes to mind as a perfect illustration of our current reality. Human solidarity has been destroyed. Our friendship is now based, most of the time, on material interests and not on moral values. The social fabric has disintegrated.

No wonder the neoliberal paradigm preaches that individual responsibility will produce the best allocation of resources and society's welfare. The hard-core political right preaches de-regulation everywhere, the dismantling of government and the untrammelled reign of free marketeering. Individualism is the buzzword. But, I think, how



very convenient! If everybody is going to look out for him or herself individually, then why do neo-capitalists support corporations? Why do free marketeers support corporations and the merger of corporations and the formation of oligopolies and monopolies? Aren't corporations closed communities in themselves? Does that make sense? Is that congruent? Well, it does make a lot of sense for the future of corporations. If the extreme right wants the reduction of government to the minimum and promotes capital formation through oligopolisation, if they want complete de-regulation of all economic activity and the demise of social organization, then, I ask, don't they want to set the agenda beyond the realm of business, and actually govern the global society with their global corporations?

How are individuals, looking individually for themselves, going to protect their individual interests against huge economic conglomerates if the exaltation of self interest as a valid moral value has corrupted politics, and this corruption has in turn become the strongest excuse used by the supporters of globalization to gain an even greater leverage on the welfare of society? Indeed, the idolatrousness of material wealth and immediate self-gratification has corroded the entire social fabric, including the domain of markets. In fact, I contend that marketeering, per se, has been the engine of this culture of individualism and self-indulgence.

Being myself a marketer by profession, I know very well that marketeering has gone far beyond the satisfaction of consumer needs. And I am not talking of basic needs. In a consumer society, consumers have wants and needs that are embedded in their psychological structure through advertising and social interaction. But market consumerism has been taken to such extremes that, in modern society, individual behaviour and the capacity to discern, distinguish and discriminate right from wrong and be a real individual, like Erich Fromm so strongly addressed, has been substantially impaired. Thus, politicians are as impaired as consumers when it comes to moral values. But, the source of this impairment has been the promotion of consumption and material possession by the corporations of the world with the acquiescence of their governments. We are all to blame. But,

there is still time to reconvene and reverse the current trend instead of allowing free marketeering, the source of individual alienation, to progress.

If we do not stop the current trend, the consequences for the majority of the population, including the population of the First World, will be disastrous. The primary consequence of inaction will be the complete ruin of the principle of the Common Good and, in short time, of the individual good. Why is this so important? In the preceding paragraphs, I have tried to explain how most societies have fallen into moral decay, alienation and the decay of the social fabric. And I have explained that this decay has permeated into all layers of society. This generates a tremendous imbalance between individuals and corporate communities, as neo-capitalist ideology dismantles the social edifice of democratic governments, because corporations are not individuals but conglomerates of economic and political power, with closed societies in their inner structures. Thus, if we allow the neo-capitalist paradigm to prevail, that of individuals to look individually for themselves, how are we going to protect ourselves, individually, from the powerful interests of the corporations?

I will answer this question by explaining the importance of the Common Good. The Common Good is the main objective in the concept of democracy. Democracy is the means to the Common Good. Since the times of classical Greece, the pursuit of the Common Good was the implicit purpose in the idea of democracy. As its Greek etymology reveals, *demos & xratos entails* the people's government. And the idea of the people's government implied that the goal was to seek the welfare of all its citizens. Democracy was born when the Greeks invented the idea of politics, which derives from *polis* or the city or community. However, as Finley argues, the concept of democracy has transcended to our time with no significant change in meaning, for in Athens the concept of democracy by the people ended up acquiring a literal meaning that would never have a paragon in Western history.<sup>7</sup>

If we allow the neoliberal paradigm to prevail, we would accept the demise of democracy and of any possibility to protect ourselves. For the only possibility to protect us against corporations that

have amassed tremendous economic and political clout is by protecting ourselves collectively. And it is in collective decision-making where the strength of modern democracy lies. Corporations lack any feature of democracy because the goal of corporations is to accumulate profit, not to seek the welfare of their workers. Capitalist corporations are, by nature, anti-democratic in their structure. They need to concentrate policy for decision-making at the top and respond only to their boards. That way they can define their business strategy and decision-making based on their profit expectations, deprived of any consideration, if they so desire, for their work force. Thus, the only way to aspire to our individual welfare is by participating in collective decision-making through democratic means to achieve a state of welfare for society. And, to this aim, democracy is the only counterbalance that society has to neo-capitalist aspirations. In consequence, a democratic, collective, decision-making process should be put above all other principles, because this is the only way to assure that governments will work for the Common Good.

It is necessary to emphasize that the interests of civil society are in direct opposition to the interests of corporations. Society's interest is to achieve social justice by securing a fair distribution of wealth. To the corporations, the concept of social justice is anathema to their aims. Social justice aims at redistributing wealth fairly, whereas the corporate goal is to accumulate wealth, concentrating it as much as possible in a few hands. That is why we have seen, in the last thirty years, a gradual movement away from corporate social responsibility and, exclusively, into maximum price per share responsibility. Managers used to be rewarded based on overall performance. Nowadays, they are rewarded based on share price. I believe we can all infer what actions need to be taken for that aim.

It should be very clear by now that the main responsibility of every democratic government is to seek the Common Good of its electors. But, with the moral decay of society, which traditionally is much more intense in its government, the latter has abandoned much, if not all, of its responsibilities. If, after the Second World War, the West and other regions enjoyed

thirty years of governments that were especially concerned for the welfare of society, this concern has diminished dramatically in the last 25 years. And, in the case of countries such as Indonesia and the Philippines, this concern has never really existed, because they have endured dictators who have excelled at crony Capitalism. But, in countries such as Mexico and others in Iberian America, the social concern of governments has shifted into an almost complete abandonment of their responsibilities. In the case of Mexico, I can affirm that the government has turned its back on its main responsibility, and it works exclusively for its own aims. This has been a dramatic shift from forty years of a relatively socially-conscious government culture into one where a group of technocrats prey on the wealth of the nation. This has translated into twenty years of continuous pillage.

In the case of the rich economies, the abandonment of responsibilities has also occurred in various degrees. In the U.S. and England, Reagan and Thatcher initiated the move towards rampant Neo-Capitalism, reducing the safety nets of their welfare states to some of the lowest levels this century, especially in England. Now the new Labour Party of Tony Blair is trying to maintain this ethos. In continental Europe, competition, more than conviction, has pressured the governments to reduce some of their welfare states. But, Western Europe has a long tradition of social responsibility in its governments, and society has reacted swiftly against the wave of Neo-Capitalism. In a two-year period ending in 1998, through a democratic electoral process, power in government went to social democratic parties, except for Spain. But, Spain's Partido Popular, which came to power after thirteen years of social democratic rule, won by offering to move from the right to the centre. Likewise, most of the social democratic governments won their election by moving from the left to the centre, a recent trend in many nations. Still the European Union is suffering some of the highest levels of unemployment in recent history, in the developed world, averaging 12% in 1998 as a result of downsizing and mergers in the corporate world, due to their increased competition and focus on higher profits. Thus, although the shift to social democratic governments was interpreted in public opinion as a backlash against the globalization of the economy, economic

liberalization is continuing. The U.S., in contrast, has enjoyed one of the lowest levels of unemployment in recent history. However, it is highly debatable whether this level of employment is delivering more welfare to the population, as we shall discuss later. In summary, regardless of their background, governments have abandoned their main responsibility to work for the Common Good, and they have taken a radical shift, especially in the U.S., England, and much of Iberian America, towards a neo-capitalist global economy. Thus, Civil Society needs to reverse this trend at the national level and implement a democratic structure at the global level in order to counterbalance the effects of economic globalization.

### ***A Global Common Good***

Indeed, in order to counterbalance Neo-Capitalism, we need a global democratic structure. It would need to be a supranational structure that effectively protects global society. As I have discussed, the UN, as well as financial, economic and trade organizations need to be revamped by redefining their roles in a concerted fashion. In doing so, nations must also cede some sovereignty when it is best for the Common Good of the global society. This is probably best accomplished by structuring a supranational entity that coordinates, with full authority, the work of the different organizations. To be sure, this can only be accomplished by the emergence of a Global Civil Society; but a clear hurdle to this endeavour is the prevailing mentality in most nations relative to sovereignty, for it is the nature of states to rule with sovereign power. But, I believe it is possible to convince civil societies to cede part of their sovereign power if they believe that what they cede in power they will receive in added benefit, both nationally and internationally. They and their governments need to believe that they cede power for the global Common Good through collective decision-making. This is the same democratic principle applied to individual citizens. Of course, before we can expect the governments to believe in the Common Good, they need to be genuinely democratic and work for their civil societies only. If governments are dictatorial or have mock democracies, they are going to oppose the Common Good internally and externally, because it goes against their vested interests, albeit they easily cede sovereignty when it benefits their

private interests. Undemocratic governments or mock democracies are prone to treat their nations as fiefdoms. But, nations need to become democratic to benefit from the global Common Good. They must first uphold democracy because the power to defend their sovereignty is drawn from the legitimacy conferred by respecting democracy. If they abide by democracy, then they can act upon the rights and responsibilities that they, as a nation, are willing to take democratically. Thus, if they decide to join different organizations and sign agreements on economic matters, it must be because their societies, through collective decision-making, have given them the approval to join and commit to the Common Good. This should happen only when, in a true democracy, the majority of Civil Society has supported, through their Congress, Parliament or referendum, an action on a specific issue, and the issue has been completely ventilated in order for the people to make a conscious decision. The European Union is a good case in point. The civil societies of Sweden, Denmark and England have decided to wait and not join the rest of the European Union with a single currency until they confirm that the benefits of the Euro outweigh the risks. And, if they decide to join, it should always be because their civil societies believe that this action will be best for the common good of their citizens. Thus, whatever they do in the future, it should always be for the same reason, because it is best for their societies.

Nevertheless, citizens everywhere must realize that the process of economic globalization is overtaking governments because free marketeering is overriding their sovereignty. And it should be evident that, if we, as sovereign nations, make a conscious decision to cede some degree of sovereignty, through collective decision making, we would have much more control of that event than if we leave it to the free forces of the market. Therefore, how, then, can we convince ourselves, as citizens, that to cede some sovereignty for the global Common Good can become part of our national interest? What we have got to realize, is that whether we like it or not, we are losing sovereignty regardless of the country we live in. Even in the United States, where much of the process of globalization is managed, ordinary citizens are being increasingly affected in their livelihoods. We will discuss

much more of this in future essays; but, for now, suffice it to say that the future of the world is being transferred more and more to the rulers of the multinational corporations, and governments are losing control of these events everywhere.

In conclusion, assuming that it is now clearly obvious that we can defend ourselves much better by controlling what we cede in sovereignty, through collective decision making, than by allowing the markets to do it at their whim, we should think about how to approach the issue and how to convince all the forces at play. I believe that the approach should make clear to all, including neo-capitalists, that the benefits of the global Common Good far outweigh the risks, and it should be done by using a carrot and a stick. If the latter want bigger markets, civil societies need to determine when and how. If all forces at play agree to enter into collective decision making, relative to how the on-going process of globalization should proceed, we will all benefit. But, if those who hold economic power persist in dictating the rules of the game, we are all going to lose sooner or later. Until now, the G7 governments have dictated everything with total disregard for billions of people all over the world. And the governments of the developing world are abiding by these dictates, which are against the Common Good. But, this is causing so much ruin to most of their citizens, that sooner or later conflict is going to explode. And when this begins to happen, everybody is going to lose. With economies in total ruin, who is going to feed the greed of the MNCs and their governments? There will be no markets to feed them because the incipient middle classes in the developing world would mostly disappear, and those in the developed world would be in recession. At the present time, we are not too far from this scenario. Thus, we must act and work on behalf of the Common Good, politically and economically, in rich countries and poor countries alike, through a collective decision making process.

### ***The Role of the United States and the First World in the Neo-Capitalist Assault***

I need to emphasize and put into perspective the tremendous responsibility that the rich nations of the G7 group, especially the United States, bear on the future of the world. On the threshold of the third millennium, the United States is the

undisputed world economic power. And most people would agree that the United States has lived, in its two hundred and twenty three years of history, a relatively democratic life. However, the United States is frequently accused of practicing a double standard that, in many instances, has impeded true democratic and economic development. It practices a kind of selective democracy, both at home and abroad, shaped by the sole premise of extreme Capitalism. In fact, it is my belief that the United States practices an extreme form of the *laissez faire* paradigm, as we shall see.

Domestically, unfettered Capitalism has jeopardized the viability of democratic life, practicing in effect a selective democracy. The U.S., boasting to be the world's champion of democracy, has failed to allow dissenting views in its citizenry. Thus, a left-of-centre view has always been an outcast in national politics. The Democratic and Republican parties, the only mainstream political organizations, are both right-of-centre parties; one more moderate than the other in its views, but both have always promoted, with few exceptions, right-of-centre views. On the other hand, unlike western European democracies, the U.S. has always viewed social democracy with great mistrust. Even today, to the vast majority of people in the U.S, the word "Socialism", inevitably, is analogous to "Communism", whereas in Western Europe it means a political emphasis on Civil Society and the Welfare State. Thus, it should be no surprise that there has never been a social-democratic movement in the U.S. mainstream.

Social-democratic thought has always accepted Capitalism mixed with a cadre of social policies to insure a minimum level of welfare for all. But, the fact of the matter is that the extreme free-enterprise mentality, that has reigned for so long in the U.S. has overshadowed the values of social-democratic thought along with the evils of extreme Capitalism. Perhaps the historical economic tradition of individual entrepreneurship, under which this country evolved, has something to do with this mentality. Perhaps Communism, as a result of its ugly reality, has generated so much fear that there is some kind of irrational rejection of anything left-of-centre. And, at times, it is so irrational that it has come with frenetic furore. In the early post-



World War II era, fanaticism in mainstream USA went to the extreme of persecuting anyone that did not share the “official view”. It was in the early 1950s when McCarthyism went paranoid with Communism, branding anyone that did not support the “official view” as a “commie”, putting him or her in jail, ignoring that a true democracy allows every individual to have his own ideas, as extreme as they may be, as long as each citizen abides by the rule of law. It even accused Presidents Truman and Eisenhower of alleged communist subversion.

Outside its sovereign territory, like all world powers in the course of history, the U.S. does not practice true democracy. On the contrary, it practices a hegemonic foreign policy, typical of imperial powers. It does not like to be regarded as imperialistic, but it clearly fulfils the profile. The United States, since its early history, has imposed the vision of its Manifest Destiny and of its Monroe Doctrine of the Americas for the Americans. For, most of its history, it has followed the views of the *laissez faire* paradigm, transmuted into an expansionist path and a hegemonic ethos. Either countries agree with its view or they become outcasts or outright enemies. The United States has consistently followed this path throughout its history without interruption, irrespective of which U.S. political party or which president is in power. There have been only small degrees of variance of the same policy of extreme Capitalism. As a result, for all of the Twentieth Century, the U.S. has had a pervasive influence in the world's economic development, that, except for Western Europe, Japan and a few other countries, has been mostly detrimental, obstructing true economic development.

In its foreign policy, it has opposed many democratically-elected governments in the name of the cold war against Communism. And, for geopolitical reasons, it has been in Iberian America where it has practiced this policy more frequently. There are many examples of open invasion or subvert operations in Mexico, Guatemala, Nicaragua, Chile, Panama and Colombia, to name a few. It has practiced a very selective policy that betrays most democratic principles, ironically, in the name of democracy. In essence, the U.S. has supported any type of government, democratic or undemocratic, as long

as it protects its economic interests. Thus, if a country's government has been democratically elected but it moves to protect the interest of its people and against U.S. interests, it becomes sabotaged, isolated and finally crushed, one way or another. On the other hand, the U.S. has supported dictators for decades, as long as they protect its interests, endorsing crony Capitalism and conspiring to destroy the opposition that is trying to establish a democratically elected government. The Shah of Iran, Marcos in the Philippines, Suharto in Indonesia, Batista in Cuba, Somoza in Nicaragua, and Pinochet in Chile are only a few of the dictators or presidents of mock democracies that were supported or appointed, behind the scenes, by various U.S. governments.

Relating all the inconsistencies of the U.S. in the support of democracy in the world is not the subject of this work. Nevertheless, it is of major importance to note that there has been a conductive thread that has consistently typified the U.S.'s *raison d'état* for intervening in the domestic life of many countries. The U.S.'s driving motivation for intervention is the unrelenting pursuit of an economic environment, where the *laissez faire* paradigm of open Capitalism, in its extreme variety, can thrive for the benefit of its economic interests. And, as can be expected, this is also the variety of Capitalism that is currently shaping the world's economic structures.

Indeed, historically, economic development in the U.S., except for the Keynesian years of the Welfare State, has always been one of extreme Capitalism. Before its civil war in 1861, economic development was no different from that of the rest of the world, except that it was inspired by extreme individualism. After the U.S. Civil War, the Gilded Age<sup>8</sup> was characterized by an exploitative individualism that many, like Yale Professor William Graham Sumner, justified through “Social Darwinism”, which argued that government aid to the unfortunate was wrong. In its most extreme philosophy, “Social Darwinism” was based on four postulates: The smallest government is the best government; the sanctity of private property is above everything else; the generation of wealth is a sign of divine favour, and thus, the wealthy have the moral responsibility to become even wealthier and rule upon society; and, lastly, the survival of the fittest

as applied by English philosopher Herbert Spencer; all of this leading to the conclusion that the United States constitutes a business civilization and that it should remain this way.<sup>9</sup>

*Laissez faire* economics continued to reign in the U.S. until President Franklin D. Roosevelt initiated, with the New Deal, the recovery of the Great Depression of 1929 and implemented the Welfare State. After World War II, Keynesian economics dominated economic thought in the capitalist world, and the U.S. became the most important contributor to Western Europe's recovery. However, Keynesian economics ended in the 1970s after the abandonment of the gold standard by the U.S. in 1971. And, with the election of Reagan, neo-capitalist Reaganomics, embodied in Milton Friedman's monetarists' views, has brought back to today's world the *laissez faire* paradigm through the advancement of free trade globalization.

The preceding historical background should be illustrative of why economic life in the United States has usually been characterised by extreme Capitalism and by an aversion to Social Democracy, characterized by its Welfare State. It should be of no wonder, then, to see why the U.S. uses its sheer power to impose its brand of Capitalism on the Third World. That is to say, if U.S. Capitalism has never wholeheartedly embraced the need for a Welfare State on its own turf, why should it promote this concept in the developing world? If we look at Third World development through the lens of the U.S. extreme brand of Capitalism, we can conclude that there is no will, from the part of the U.S., to support a more equal wealth distribution in order to establish sustained economic development. On the contrary, through the lens of extreme Neo-capitalism, there is no justification for these kinds of thoughts. Thus, the driving force for globalization, from the U.S. neo-capitalist's establishment perspective, must be to become even wealthier and rule the world as a business through MNCs, in line with Social Darwinism theory.

Nonetheless, the U.S.'s neo-capitalist paradigm is not worse than that of older colonial powers that have exploited a myriad of "unwestern" territories with similar views. But, it is now time to learn from economic history and understand that, even from an extreme neo-capitalist viewpoint, it is

better business to promote sustained economic development than to maintain the old colonial tradition. The gains in wealth distribution and in quality of life in the Third World occurred during the Keynesian years, and much of it has been lost in the last twenty years. Nonetheless, wealth redistribution is the only way to achieve sustainable development, and sustainable development is the only way to insure the sustainable growth of business enterprise.

Globalization, as it is being imposed in the developing world, is in effect a new kind of Colonialism. The U.S. leads in the process of globalization; but globalization, as it is currently practiced, is in effect a new process of economic competition designed for MNCs to thrive. As with earlier Colonialism, the main purpose is to control the world's markets via oligopolisation, putting each business category in the hands of a few players or even in the hands of one player. The process of globalization began, in full loyalty to the *laissez faire* paradigm, with the deregulation of Reaganomics and Thatcherism. The airline industry was one of the first. The objective was to increase competition and efficiency to boost profits and stock prices, which it did; but at the cost of the existence of many airlines and of millions of jobs all over the world. To be sure, the immediate reaction of companies in all trades of business has been to secure market position by buying out competitors, amicably or aggressively, or merging with each other. This has created the greatest merger of companies in the U.S. and elsewhere in the developed world between some of the largest U.S., European and Japanese companies. Among some of the most visible and recent examples of this process: Ford buys a chunk of Mazda; Chrysler merges with Daimler-Benz; Ford buys Jaguar; Ford buys Volvo automobiles; Renault buys a controlling interest in Nissan; British Petroleum buys AMOCO and subsequently buys ARCO; Mobil merges with Exxon. In the developing world MNCs are entering the market by buying out the local companies or establishing partnerships. Iberia buys Aerolineas Argentinas; Spanish banks buy many of the largest banks in Iberian America; Telefónica of Spain buys the largest chunk of Brazil's Telebras; Wal-Mart buys Cifra, Mexico's largest retailer; Citi Group buys Banamex, Mexico's largest bank; Endesa of Spain buys Enersis, Chile's largest electric power company; SBC buys a chunk of Mexico's Telmex.

It is clear, then, that the U.S., as the new sole empire, and the rest of the G7 have a lot of responsibility in their actions for the future of world development. Unfortunately, judging from their consistent position, they appear to be the biggest obstacle to sustainable economic development because their interests are in direct opposition to this goal. Their corporations are not pursuing world economic development, much less wealth redistribution. They are pursuing a relentless Capitalism to control as much as possible of the world's economic power through their global operations. These conglomerates are the real rulers behind the throne and are trying to maintain growth by securing the largest market share and the greatest profitability possible worldwide. This is both the agenda of the U.S. government and that of the other G7 powers, which go directly against wealth redistribution in the G7 and in the developing world. Thus, what we have in most of the world today is two very distinct interests on a collision course: the rule of the MNCs through oligopolisation, and the pursuit of Civil Society of wealth redistribution and social justice for the shrinking middle classes and the rapidly-growing poor.

### *The Other Members of the Group of Seven*

The U.S. leads the world by setting the stage and the way to neoliberal economic globalization, and the other economic powers that make up the G7 group follow this path in various degrees. Britain is the next in line in the process of neoliberal globalization. This is only natural. We should remember that modern economic thought is predominantly an Anglo-Saxon view, the result of British philosophers. Capitalism, the culmination of classical economic theory, is a British idea. The pseudo-theories of Social Darwinism and the "survival of the fittest" are also of British origin. Walter Bagehot, the editor of *The Economist* for most of the second half of the XIX century, initiated this so-called "school of thought" with his work "Physics and Politics" in 1869. Thus, it is of no surprise that the British Empire was the champion of this theory, also in its most extreme position. In fact, the U.S. and Great Britain have gone, most of the time, hand in hand in economic thinking. Britain was last century's world empire while the U.S. is today's empire. As a consequence, economic theory has been completely dominated by the views of their economists.

Luckily, not all Anglo-Saxon economic thought was cast from the same mould. Indeed, modern economic thought has entertained a diversity of ideas. In capitalist philosophy, the idea of the Welfare State, –for all practical purposes the opposite of the *laissez faire* paradigm– is also the work of two British Economists: John Maynard Keynes and William Henry Beveridge. Unfortunately, the *laissez faire* paradigm has reigned most of the time not because of wisdom, but because of powerful extreme capitalist motives, as we will later argue. Thus, in the 1980's, England with Margaret Thatcher, as the U.S. did with Ronald Reagan, went into a frenzy of privatization, of reduction of the Welfare State, and of the unrelenting support of British MNCs in their pursuit of greater economic power; a tradition in Britain since the early days of the merchant companies of the British Empire.

Nonetheless, Western Europe has a very strong tradition of social benefits, with the concept of the Welfare State formally established after WW II. Indeed, the support of a strong Welfare State has been generally high for most of the post-war era because Western Europe's social democratic parties have a strong following and have governed for long periods of time. Most Western European countries have strong social security systems, including a national health system with a network of public hospitals, where coverage is clearly broader than the private system in the U.S. To be sure, to support this level of benefits, marginal personal income tax rates are among the highest in the world, generally above 50%, and in Denmark and the Netherlands as high as 60%. Nonetheless, although Britain has a national health system similar to the rest of Western Europe, there is a clear difference in philosophy on taxation policy between continental Western Europe and the U.S. and Britain. Top income tax rate comparisons between continental Europe and the countries of Anglo-Saxon culture show a substantial difference. The average highest marginal rate in the U.S., U.K., Ireland, Canada, Australia and New Zealand is 39.5%. In contrast, the average highest marginal tax rate in twelve Western European countries is 49%, a stark difference.<sup>10</sup> This difference illustrates the contrast between a capitalist approach with emphasis on private investment to provide most services, and the western European capitalist approach with a strong Welfare State and, generally, a bigger role

of the state in the economy. This is also the case of Japan, the other member of the G7 group, which completed its welfare system in 1961. Since then, its universal pension plan and its universal health plan cover all the Japanese.

On the whole, the starkest contrast in economic approach is most clear between Japan and Western Europe, including Great Britain on one side and the U.S. on the other side. The safety nets and social programs in the former are much greater than in the latter. However, the process of globalization, with its cutthroat competition, in which the U.S. and Britain have embarked upon the world in the last twenty years, is forcing all of the biggest economies to join the wave of merging and buying of companies to secure a market position. As can be expected, the merging and buying, and the struggle to attain competitiveness and efficiency to survive, is having a direct effect on the welfare of a growing portion of their population. Until the 1990s, Western Europe and Japan never experienced the kind of mass unemployment that they are now suffering. Japan, with its work ethic of stoic loyalty to its corporations in return for the assurance of a job for life, is confronting a bitter reality. Globalization is indeed the survival of the fittest, and, thus, corporations must become detached of any type of humanistic sensitivity when it comes to defend their market turf by remaining competitive. As a result, the labour market is the first to suffer. In this way, in the European Union, with its ongoing monetary unification, labour markets will suffer at the expense of capital because, in order to cope with increased competition, efficiency has become more important than social policy. This has already led to increased pressures for the relaxation of labour protection, since the free mobility of capital will penalize more harshly those countries that are relatively inefficient because of the rigidity of their labour institutions.<sup>11</sup> To be sure, neoliberal globalization, in its narrow mind-set of maximum efficiency, is affecting the labour endowments, and this negatively affects social justice everywhere, in wealthy and poor countries alike.

It should be evident by now that the G7, the world's economic powers, led by the United States, the main promoter of neo-capitalist globalization, bear the utmost responsibility on

the future of mankind and for social justice in the world. And, I must insist, we should not expect social justice to be within the realm of these nations' interests, for the interests of their corporations, the real rulers behind the formal power, collide with the principles of social justice. Their goal is to establish an ethos that serves the global economic interests of their MNCs. In this way, U.S. leadership in this crusade is imposing globalization against the will of the majority of the world's population, even against the convictions of the governments of many of the developed economies. For, rather than joining in full conviction, many are reacting to the threat of being overtaken by foreign MNCs, namely, U.S. MNCs. Thus, the big perpetrator of this socio-economic chaos is the hegemonic advancement of U.S. economic interests through its global Capitalism. In this way, the U.S. MNCs are effectively using their government's political and economic clout to impose a self-serving economic paradigm.

While in the rest of the developed world, the competitive pressure of U.S. MNCs has forced it to join globalization to survive. In the case of the developing world, the U.S. advances its interests by controlling international organizations. It systematically uses the Bretton Woods Institutions (BWIs) as its instruments of structural adjustment, imposing a framework that only benefits the MNCs and money speculators. Moreover, it ignores the U.N., it boycotts many of its agencies, it doesn't pay its fees regularly and it only abides by the UN Charter when it fulfils its national interests. Just in March of 1999, it completely ignored the U.N. Security Council relative to the conflict in Kosovo. It simply went ahead through NATO and attacked Serbia because Russia and China, members of the Security Council with veto powers, were staunchly opposed. In contrast, the U.S. and Britain have used the U.N. to attack Iraq, also through NATO, to protect their oil interests because they knew that, in this case, they had full U.N. support. This is a terrible precedent. It is not a question of being right or wrong with respect to the Balkans. It is a question of placing U.S. foreign policy above all, behaving exactly like an empire. It is damaging an organization that has greatly contributed to world peace, and it is signalling that all is fair game. If the U.S. can manipulate the U.N. and other organizations whenever it pleases, we



should not be surprised that other U.N. members will do the same. These events will have disastrous consequences in the not-too-distant future. And albeit these events are geo-political issues beyond the realm of this work, they clearly illustrate the pervasive effect that the United States hegemonic policy is having in the world. It boasts to be the leader of world democracy, but it is rapidly becoming the hegemonic empire of extreme Capitalism.

Notwithstanding these realities, the U.S. has the power to change its path and become more egalitarian, both domestically, and, especially, in the developing world, where it is extracting the most benefit. It is sad to see that this scenario of greed and exploitation of the weak by the powerful has been the eternal problem in the history of humankind. It can be argued that this is the result of intrinsic traits of human nature, but the same can be argued of compassion and solidarity as part of human nature. Therefore, there should be much hope in maintaining the pursuit of social justice in the world. To achieve this, it is imperative that the United States corporate world, along with its fellow MNCs in the G7, changes the ethos of maximum profitability to boost the price of the stock to one of long-term investment for a much brighter and sustainable democratic capitalist system. But, due to the dominant mentality of shareholder value, this will not come about unless civil societies force the change of paradigm.

### ***The Rewards for the Globalization of the United States***

Against what could be presumed, in the U.S. the gap between rich and poor is also rapidly growing. The Clinton Administration boasted the lowest unemployment rate in many years. But, when looking at wealth redistribution, it is immediately evident that inequalities are growing in the U.S., and minorities are bearing the bulk of the loss. During the Clinton years, the U.S. talked about a middle way to Capitalism, one with social responsibility, by supporting Tony Blair's so-called Third Way. But, as I will later show, the so-called Third Way promoted by Blair and Clinton has revealed itself as traditional Neoliberalism in disguise. For the actions of all the players in power continue to demand the complete opening of the markets and the drastic reduction of social prerogatives. However, if a

genuine third way will ever happen, the U.S., as the world leader, must sincerely promote it and apply it domestically and outside. For when it comes to sincere cooperation in the world, the U.S. must think long-term and abandon its traditional unilateralism. To be sure, there is nothing wrong with having a world leader, as long as it leads with solidarity. Unfortunately, given the U.S. track record, it is almost utopian to expect that the political will to establish a socially responsible economic system will ever emerge voluntarily. The U.S. Civil Society would need to make it happen.

In the meantime, the unrelenting and untrammelled support of corporations has taken a clear toll on the quality of life of the average U.S. citizen, and it has clearly increased the gap between rich and poor. In the same way that the governments of the emerging markets in the developing world, many staunch supporters of free marketeering, have stopped working on behalf of their people, the U.S. government is now working primarily for the benefit of the owners of the corporations. This is nothing new except that it is getting worse. A fresh new 414-page report by the Economic Policy Institute (EPI) in Washington, D.C., has found little evidence of the so-called "new economy" in the 1990's as wage and income inequality trends continued. The report's key findings include all long-time expected conclusions:<sup>12</sup>

- Inflation-adjusted earnings of the median worker in 1997 were 3.1% lower than in 1989, and real hourly wages stagnated or fell for the bottom 60% of workers.
- Median family income in 1996 was still 2.3% below that of 1989 despite the fact that, in every prior recovery, the income of the typical family by this time had already surpassed its previous peak.
- Typical married-couple families had to work 247 more hours (the equivalent of over six weeks) in 1996 than in 1989, despite an 8% growth in productive capacity during the same period.
- Income inequality continued to grow rapidly in the 1990s, albeit not as fast as in the 1980s.

- Job insecurity has increased in the 1990s as the share of workers in "long-term jobs" fell by 14%, from 41% in 1979 to 35.4% in 1996.

- The gap in wealth continued to increase between 1997 and 1998, with typical middle-class families having 3% less wealth, whilst the richest 10% reaped 85.8% of growth in the stock market since 1989. An illustrative case is the pay of CEOs, which more than doubled between 1989 and 1997 and rose to a ratio 116 times the pay of the average worker –an almost eightfold increase since 1965.

- Consistent with the widening gap, companies experienced record profitability in the 1990s, in a good part at the expense of labour. Had the labour endowments grown in line with profitability, hourly compensation would have grown 7% more in 1997.<sup>13</sup>

This biennial report goes into great detail to characterize the growing plight of the U.S. worker. As it describes the growing negative conditions, it also concludes that this is the direct result of twenty years of globalization. It reports six key conclusions of the economic realities of the U.S. at the threshold of the third millennia: U.S. workers work longer for less; slow unequal growth in family income persists, and it is even slower in the 1990s; the rich are getting richer, projections for 1997 indicate that since 1989 the share of wealth held by the top 1% of households grew from 37.4% of the national total to 39.1%; job growth is down and insecurity is up; poverty rates remain stubbornly high despite economic expansion; effective tax rates have fallen sharply for the richest taxpayers, a whopping average of \$36,710 since 1977.<sup>14</sup> This, of course, was said before the top tax rate was going to be cut down from 39.6% to 36% in 2001.

The low rates of unemployment that Bill Clinton, understandably, bragged so much about do not mention that the quality of new job creation is declining considerably. Indeed, the Economic Policy Institute also reported a general decline in the quality of labour endowments citing several factors that have contributed to wage decline, such as: a steep drop in the bargaining power of unions; the erosion of the real minimum wage; a decline in higher-paying manufacturing jobs in favour of lower-paying service-sector jobs; and the increase in temporary and part-time

employment as a direct result of the globalization of flexible labour standards.<sup>15</sup>

The increase in non-standard work, such as part time jobs, temps and per/hour labourers, is the main reason for the increase of job insecurity previously mentioned, according to the EPI report, combined with the decrease of 14% in the share of long-term jobs (those lasting at least ten years) between 1979 and 1996. Non-standard jobs account for almost 30% in 1997, according to the EPI report, but non-standard jobs generally earn less than workers with comparable skills with full-time jobs, and are far less likely than the latter to have health or pension benefits. Downsizing and other involuntary (not for cause) jobs displacement contributed to work insecurity and anxiety. The clearest documented evidence of this trend is the almost doubling of the proportion of workers employed by temp agencies, from 1.3% in 1989 to 2.4% in 1997<sup>16</sup>. Such trends are typical of the process of globalization, as we will further see.

The most illustrative indicator of the perils of globalization in the U.S. is that corporations are benefiting at the expense of workers. MNCs pay far lower real wages to their workers in developing countries than at home. However, they are also taking advantage of their work force at home. Corporations are increasing productivity at the expense of labour. According to the EPI report, between 1979 and 1997 hourly/wages dropped 3.2%, and if we include total compensation with benefits, it fell even more to 4.2%. In great contrast, U.S. productivity during the same period increased 9%. Moreover, we should consider that income did not fall even further thanks to the 247 additional hours worked by U.S. households, as previously mentioned. The EPI study concludes that, in spite of the claims of a "new economic order", the evidence that the U.S. is enjoying the best economy in 30 years is nowhere to be found. Moreover, it asserts that the current economic environment is not necessarily a better economy in terms of productivity, wages, or income growth.<sup>17</sup>

Finally, the EPI study establishes a clear relationship between the advancement of *laissez faire* globalization and the increase in income inequality. It concludes that, albeit there is a

variety of related factors that have interacted to increase inequality since the end of the 1970s, they all share the common characteristic of neoliberal globalization. Indeed, the study asserts that all these factors reflect the general deregulatory ethos of the economy, which has weakened the welfare of workers, both blue and white collar, union and non-union. Furthermore, the study specifically regards the falling real value of the minimum wage along with the continuing de-unionization of labour as the culprit for one-third of the growing wage inequality among prime-age workers; and the expansion of low-wage service-sector employment and its direct relationship with the process of neoliberal globalization, through immigration and trade, as the culprit for another 30-40% of the growth in wage inequality. In this way, the conclusions of the Economic Policy Institute leave no doubt that the weakening of labour market institutions, the impact of neoliberal globalization, and the shift to low-wage service industries together account for as much as 75% of the growth in wage inequality. And the study clearly asserts that U.S. economic policy has applied the anti-inflationary policies preferred by investors, Wall Street, and the bond market, as a conscious decision designed to unleash the forces of free marketeering and empower the shareholders and their management teams.<sup>18</sup>

I must add that the EPI report uses the term globalization as merely the effects of free trade and freer labour markets, but when they refer to *laissez faire* deregulation, they include almost every variable that has to do with the need to increase competition and the business culture of ever increasing the profitability and the price of the stock. For, without the use of *laissez faire* economic theory and its deregulatory process, none of these objectives could be attained.

In comparing the level of social justice, in terms of income distribution, in the United States versus other advanced economies, the stark disadvantage of U.S. workers is clearly evident. However, Great Britain is currently the second worst in social justice: perhaps as a result of the influence of its traditionally dominant *laissez faire* culture in its neo-capitalist experience. In the annual World Bank report, the ratios in income distribution between the U.S. and eleven other advanced nations with available data, the U.S. is

by far the worst performer, followed by the U.K. The average ratio between the highest and lowest 10 income percentiles for ten advanced economies is of 7.3. In dramatic contrast the U.S. ratio is a whopping 19.0, the highest income inequality by far. The ratio for the U.K. is 10.3, the second worst.<sup>19</sup> A similar comparison in the EPI study confirms these differences, although it does not show such a stark contrast. In this case, the U.S. scores a ratio of six, the U.K. 5 and ten other advanced economies score a ratio of less than four.<sup>20</sup>

The EPI report also points out that there is a stark difference in the number of hours worked in the U.S., let alone the huge difference between the three to five weeks of legally-mandated employer-paid vacation time in most European economies and zero in the U.S. And it points out that the U.S. has the highest overall poverty rate among the 16 most advanced economies in the late 1980s and 1990s. The study reports that, despite higher average income levels in the U.S., low-income families in the U.S. are worse off than low-income families in the 12 other advanced economies because inequality is severe. And, in line with the findings of the World Bank report, the EPI study also found that inequality in the U.S. and the U.K. has shown a strong trend to rise in the last two decades in contrast with the rest of the advanced nations where it has declined or at least remained stable.<sup>21</sup> Paradoxically, the U.S. and the U.K. have been the strongest followers and promoters of *laissez-faire* economic policies.

The common denominator between the U.S. and the U.K. is the fact that they are the founders and staunchest proponents of *laissez faire* economics. And, throughout their modern history, they have applied the most savage brand of Capitalism among developed nations in their economies, except during the years of Keynesian economics. In this way, a look at twenty years of free marketeering clearly shows the stark social inequalities between the U.S. and the U.K., on one side, and the other advanced nations on the other.

It is clear that the world is now embarked on a process of globalization that is almost impossible to stop. Economic globalization in itself bears no harm; it means nothing, except that it covers the

entire world. It is the brand of economic theory and the fact that it is imposed instead of being defined and negotiated through collective decision making, that are having dire consequences on the welfare of humankind. It is also clear that the U.S. and England are the main perpetrators of this return to neo-classical economics and mercantilist ideas, as we shall see, in its brand of Neo-Capitalism through their MNCs. Moreover, they have abandoned their most important responsibility as democratic nations: the pursuit of the Common Good for their societies. For they are now embarked on a process of growing inequality that is only benefiting the accumulation of wealth in the hands of the few captains of the MNCs. By the same token, the other advanced countries are also slowly abandoning the pursuit of the Common Good, not as a self-conscious decision, in my opinion, but as a means of survival in this savage arena of competition. As for the developing world, their incipient democracies and their “chronic” crony, corrupt capitalism still offer few choices. The governments and their cronies adhere to Neo-Capitalism to remain in power, with those who used to care for their societies changing their views sometimes 180°. In short, this is the betrayal of democracy and the triumph of evil over good through its exaltation of money. Governments have betrayed the trust of their nations in favour of the MNCs. For, increasingly, the MNCs have been empowered to dictate the rules and rule through supposedly democratic governments. As for the Third Way of Clinton and Blair, which has already proven to be a cheap attempt to quiet opposition and buy additional time to consolidate the imposition of Neoliberalism, it has already been publicly denounced as the same neoliberal way.

However, the same power that has been used to take the world to the brink of chaos and to the growing impoverishment of its citizens can be used to reverse the flow and backtrack on its steps. To be sure, it would be extremely naive to expect that the U.S., the U.K. and probably most other advanced societies would sidestep globalization, because most are already embarked on a course of the survival of the fittest where the MNCs are now dictating the path. But, it is perfectly possible to mould the process of globalization and democratize it, forcing the MNCs to become socially responsible.

Nonetheless, because MNCs are the direct perpetrators of globalization, we need to get them fully involved in a change of economic ethos. And, I believe that, since no altruistic motives would work, there is a way to allure them to share the wealth if we are able to convince them that there is an even greater wealth ahead –and much more sustainable and long-lasting– if they invest today.

Indeed, the MNCs are directly responsible for the growing inequality in the world and both the governments of developed and developing countries are also fully responsible for the plight of their citizens and the betrayal of their trust. In fact, being a citizen of one of the members of the group of the seven richest nations is no longer a ticket to the enjoyment of a decent quality of life. There is plenty of evidence pointing at the rising poverty in the wealthiest nations of the world. Let’s just look at the poverty figures in the U.S. and the European Union. The U.S. has 32 million people with a life expectancy of less than 60 years; 40 million lacking medical coverage; 45 million below the poverty line; and 52 million who cannot read or write, whilst the EU, despite its supposedly new-found wealth, has more than 12% unemployment with about 18 million out of work and 50 million people living in poverty.<sup>22</sup> Thus, the MNCs and their governments must now backtrack and re-evaluate the consequences and the alternatives readily available in order to avoid even greater chaos and misery and the demise of the future of humanity. It is not a complex thing to comprehend; it is a question of visionary wisdom and of political will.

---

<sup>a</sup> Alvaro J. de Regil is Executive Director of The Jus Semper Global Alliance

1 Charles Darwin, The Descent of Man, and Selection in Relation to Sex, (1981, Princeton, Princeton University Press) 85 and his quote of David Hume’s, An Enquiry Concerning the Principles of Morals, edit. Of 1751, p 132

2 Oswald Spengler, La Decadencia de Occidente, (The Decline of the West) (1983, Madrid, Espasa Calpe, Vol. 2,) 547. Translated from the original German edition: Der Untergang des Abendlandes.



---

3 La Defensa de Pinochet defiende el Uso de la Tortura, El País, Sección Internacional, Madrid, martes, 26 de enero de 1999

4 U.S., U.K., Germany, France, Italy, Canada and Japan.

5 Jo Marie Griesgraber & Bernhard G. Gunter, editors. Promoting Development. (The Center of Concern. Pluto Press, 1995) 10.

6 George Soros, The Crisis of Global Capitalism, (1998, New York, BBS) XXVI.

7 M.I. Finley, El Legado de Grecia Spanish-language edition of the The Legacy of Greece, ed. (1983 Barcelona: Critica, Oxford University Press, 1981) 37

8 Samuel Eliot Morison, Henry Steele Commager and William E. Leuchtenburg, Breve Historia de los Estados Unidos, Spanish-language edition of The Concise History of the American Republic, ed. (1980 México, D.F.: Fondo de Cultura Económica, The Oxford University Press, 1977) 462

9 *Ibid*, 463.

10 1998 World Development Indicators, The World Bank, pp. 270-272

11 Social Europe: One for All? Monitoring European Integration, No. 8. Charles R Bean, Samuel Bentolila, Giuseppe Bertola, Juan José Dolado, Centre for Economic Policy Research Monday, July 06, 1998

12 The State of Working America, Lawrence Mishel, Jared Bernstein, John Schmitt, Economic Policy Institute, Executive Summary, pp. 1-2, September, 1998.

13 *Ibid*, 2-9

14 *Ibid*, 4-8.

15 The State of Working America, Economic Policy Institute, Press Release, p. 3, September, 1998 (wages for the bottom 80%).

16 The State of Working America, Lawrence Mishel, Jared Bernstein, John Schmitt, Economic Policy Institute, Executive summary, pp. 7-19, September, 1998.

17 *Ibid*, 24-28.

18 *Ibid*, 20.

---

19 1998 World Development Indicators, The World Bank, pp. 68-70

20 The State of Working America, Lawrence Mishel, Jared Bernstein, John Schmitt, Economic Policy Institute, Executive summary, p. 14, September, 1998.

21 *Ibid*, 14.

22 Ignacio Ramonet, "Towards a New Century," Le Monde Diplomatique January 1999.