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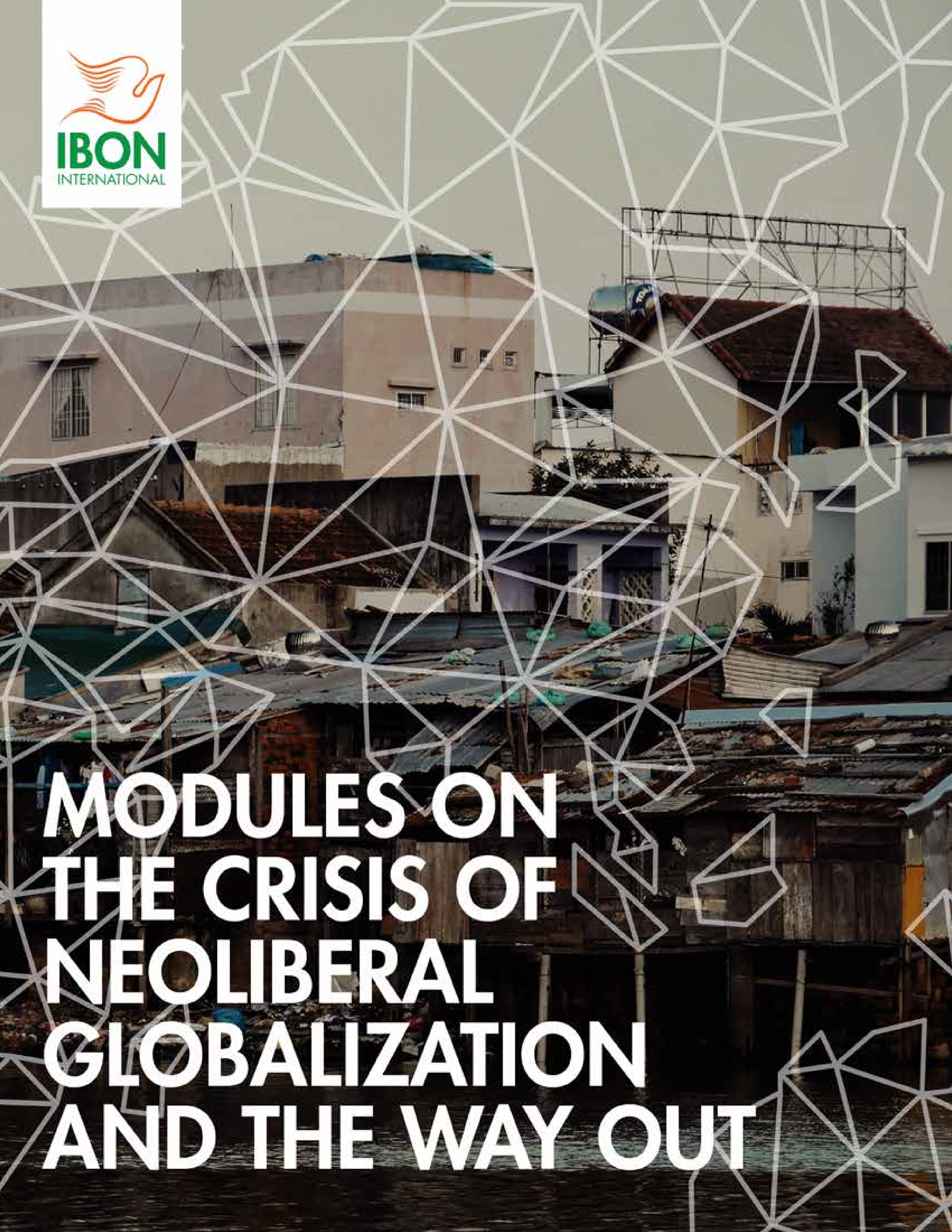

MODULES ON THE CRISIS OF NEOLIBERAL GLOBALIZATION AND THE WAY OUT

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IBON International responds to international demands to provide support in research and education to people's movements and grassroots empowerment and advocacy and links these to international initiatives and networks.

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TABLE OF CONTENTS

PREFACE

Providing seminars and training for social movements and civil society constituencies is part of our mission to develop knowledge and capacities. Our promotion of capacity development is in the context of our fundamental advocacy of social justice and transformation, with a focus on building and sharing knowledge through research, education and information, and partnership.

We have been conducting seminars on neoliberal globalization and its economic, political, social, and cultural impacts for over a decade now and thus feel it is time to systematize and put in writing these modules for others to use. As a product that has been collectively honed over the years through discussions with partner people's organizations in Africa, Asia and Latin America, the *Modules on the Crisis of Neoliberal Globalization and the Way Out* serve as basic guide and reference for educators to enrich and update as necessary.

We thank the IBON Institute for International Development (I3D) for assisting us in producing this seminar material. I3D is our knowledge institute that synthesizes our wide range of knowledge on social policy, economics and development.

Amy Padilla
Director, IBON International

INTRODUCTION

NOTE TO TRAINERS
One way of opening the seminar is to ask participants to explain what 'globalization' means to them. From these responses, clarify that this seminar focuses on a historically specific episode and process of 'globalization' associated with the adoption of so-called free market policies from the late 1970s onwards, i.e., neoliberal globalization.

The overall objective of this course is to help deepen understanding of neoliberal globalization.

The specific objectives are:

1. Discuss the historical and systemic roots of neoliberal globalization and its impacts on the lives of peoples

2. Deepen understanding of the global economic and political system - its inherent logic and contradictions

3. Relate these to people's campaigns and advocacies [in Africa, Asia, Latin America and the Caribbean] and beyond

At the end of this course, participants should take away the following main lessons:

1. Neoliberal globalization is a monopoly capitalist project that entails the **forcible restructuring and integration of national economies into the global capitalist system** since the 1970s in the guise of "free trade" and "free markets"

2. This process is dictated by monopoly capitalists through capitalist states and institutions in order **to overcome the capitalist crisis of overproduction** and falling rates of profit at the expense of workers and toiling masses of the world

3. Rather than overcome capitalist crisis, **neoliberal globalization worsens it**

4. The only way out of this crisis is by **ending the monopoly capitalist system** altogether through mass movements in each country

1 CAPITALIST FOUNDATIONS OF NEOLIBERAL GLOBALIZATION

NOTE TO TRAINERS
This module lays down basic concepts in understanding the capitalist system and the rise of monopoly capitalism. Take ample time to discuss and encourage questions to clarify points.

In order to understand the roots of the current crisis in the global economic system, it is important to understand what that system is and what are the underlying rules or laws of motion that govern that system's operation.

The dominant system or social formation in the world today is capitalism. Under capitalism goods are mass-produced through collective labor with the aid of modern means and implements. Moreover, the majority of people in capitalist society who work are unable to survive except by selling their labor-power. Historically this condition was realized through the extensive eviction of peasants from their farming lands and the creation of toiling masses who own none of the means of production.

On the other hand, a tiny fraction of the population, the capitalists, now own and control the means of production. The capitalist does not participate in production, but instead purchases and uses the labor-power of others and sells the products of the labor of others. So while production under capitalism is social in character, ownership is private and concentrated in the hands of a few.

Furthermore, under capitalism the production of goods and services are meant for the market, and no longer as it was in pre-capitalist times when it was solely or primarily for the use of the producers themselves, and for the small communities to which they belonged. Thus, the market brings together people from distant parts of the country or even from distant parts of the world.

Though commodity exchange has existed for thousands of years, it is only with the development of money and the birth of capitalism that it reaches its peak, linking up the entire economic life of millions of individual producers throughout society. Indeed, wealth in capitalist society is the accumulation of commodities. Thus, the political economy of capitalism starts with an analysis of the nature of commodities.

1.1 Capitalist accumulation

In capitalism, the capitalist makes sure that the value of commodities produced by the worker exceeds the value of his/her labor-power. So typically, the worker creates more value in a given day than the paid value of his/her labor-power, i.e. more than his/her day's wages. This additional value which every worker produces, over and above the value necessary to earn his/her wage and maintain himself/herself and family is called **surplus value**.

Surplus value is essentially unpaid labor time of workers. Therefore, capitalist profit is essentially derived from the exploitation of workers.

Due to competition, every individual capitalist has an intense need to improve his/her equipment constantly, and to tighten the organization of production in his/her enterprise in order to make sure that workers in his/her factory produce more surplus value compared to the industry average. In this manner, the capitalist enlarges his/her rate of profit.

So capitalists tend to spend an ever increasing part of their profits to increasing and improving the machinery, implements and other equipment in production. They also borrow from banks or other financial institutions to accelerate the growth of their capital, speed up the development and increase the number of their equipment in production. The continuous expansion of the funds and stock of the production equipment—concentrated in the hands of the capitalists—is called **capital accumulation**.

As competition among capitalists to improve machinery and organization becomes faster, so does the accumulation of capital. The relentless pursuit of profit, capitalist accumulation and capitalist competition result in the rapid expansion and growth of production in society. Capitalist accumulation therefore widens, develops and improves production in society.

However, the development of machinery is a weapon of the capitalists not only against rival capitalists but also against workers. Machinery not only helps capitalists extract more surplus value from workers, it also reduces the demand for workers for the same level of output. This creates a growing mass of unemployed and underemployed workers who can be tapped during economic booms and discarded during busts. This is called the reserve army of labor.

As the reserve army of labor grows, this exerts pressure on the employed workforce to temper their demands for wage increases or benefits, thus helping capitalists intensify the exploitation of the working class.

1.2 Capitalist crisis

The nature and inherent logic of capitalism itself lead inevitably to crisis. Capitalists, in their desperate urge to earn more and more profits, increase production but cut down the wage rates of workers or lay off workers. This reduces the capacity of the working class – who compose the largest section in society – to buy the goods available in the market.

Thus, on the one hand the capitalist class continuously increases the production of goods being supplied to the market, whereas on the other hand they relentlessly impoverish the working class, reducing the buying capacity of a large section of the buyers in the market. This leads to a severe contradiction between the expansion of production on one hand and the contraction of the market on the other hand. The result is a **crisis of overproduction** where the market is flooded with unsold goods. Numerous capitalists are thrown into bankruptcy. Thousands or millions of workers are thrown out of their jobs and forced into starvation at the same time as the shops are filled with goods that remain unsold because there is no one to buy them.

Furthermore, with each crisis, capital becomes further centralized among fewer but bigger capitalists who gobble up their weaker competitors. This proceeds alongside the immense growth in the misery and discontent of the masses of workers. Thus, the conditions for even deeper and wider crises of overproduction is ever accentuated.

The anarchy of these crises of capitalism could only be ended by resolving the fundamental contradiction of capitalism – the contradiction between the social character of production and the

Thousands of unsold cars unsold due to overproduction resulting in crisis. Image source: investopedia.com

private character of ownership. This could only be done by also socializing the ownership of the means of production to suit the already social character of production.

The social force that can bring about this revolutionary transformation is the toiling masses because they have no interest in continuing the present system of private ownership and exploitation. They have the interest and capacity to lead the fight for systemic change.

1.3 Rise of monopolies

The process of capital accumulation and concentration of ownership accelerates with every episode of capitalist crisis.

In the fight between capitalists, the smaller and weaker ones are usually bankrupted and devoured by the larger ones. Over time the monopolistic control of a few enterprises replaces the competition of many enterprises in an ever-widening scope, until it dominates whole branches of industry and the whole economy.

The 1873-1890s period saw the buildup of monopolistic combinations among capitalists, representing the concentration of production and capital. These spread rapidly throughout the economy of the most advanced capitalist countries. Thus, at the start of the 20th century, monopolies were already playing a decisive role in the economic life of the United States (US), Great Britain, France, and Germany. A few other countries soon caught up such as Russia and Japan.

Capitalism had entered a new historical stage – the last and highest stage in the history of capitalism – **monopoly capitalism**.[1] At this stage, a small number of capitalists (monopoly capitalists) control the means of production decisively, especially the finance capital necessary to initiate, enlarge and advance production and distribution. The influence and operations of monopoly capitalists based in a handful of advanced capitalist countries now encompass and dominate the market, investment, and the sources of raw materials throughout the world.

The 20th century saw the increasing dominance of monopoly firms as represented by corporations, which later take the form of **transnational corporations (TNCs)**. Monopoly firms control the most advanced technology, skilled workforce, sources of raw materials and commercial outlets. As such they are able to dictate the overall operation of production, prices and market conditions. They even influence the division of profits among capitalists in order to capture superprofits or profits that exceed what freely competing capitalists would receive ordinarily.

A recent study by three systems theorists at the Swiss Federal Institute of Technology in Zurich examined the revenues and ownership of 43,060 TNCs from a database of 37 million companies and investors worldwide, they estimate that the global economy has a dominant core of 147 firms with interlocking stakes in one another. These 147 firms – a "super-entity" representing a mere 0.3 percent of all TNCs in the world – together control 40 percent of the wealth while a longer list of 737 firms (1.7 percent of all TNCs) control 80 percent of the entire pie. All but five of the top 50 firms in this dominant core are financial institutions.

The centralization of capital is also evident in the steep rise in mergers and acquisitions (M&A) among TNCs. Cross-border M&As averaged USD 802 billion in 2015 and 2016 compared to USD 98 billion in 1990 as dominant TNCs gobble up smaller rivals or merge to become even bigger global behemoths. M&As accounted for 60 percent of all FDI flows in 2016 compared to around 40 percent in 1990, indicating a constricting space for greenfield investments amidst a worsening crisis of overproduction for monopoly capitalists.

While monopoly capitalists generally overcome competition from smaller rivals, they compete with one another viciously, using open or devious schemes and even force in order to protect and strengthen further their domination.

Thus, while the rise of giant monopoly firms raises the social character of production under monopoly capitalism, it also worsens the basic contradictions in the system and makes the crises of capitalism more intense and more destructive.

Alongside the concentration of power in the economy is the concentration of power in politics. The control of the monopoly capitalists over the state tightened more and more until the state itself changed from being the representative of all of capital to becoming the representative of the monopoly capitalist class. Their principal representatives hold and control alternately the highest positions in industry, commerce, government, the academe and mass media. Financial support and the support of the monopoly mass media are decisive in winning elections. High-ranking civil and military bureaucrats who have served monopoly capital loyally are assured wealth in retirement by being offered business positions with lucrative contracts. Important state policies are done usually at the initiative, if not with the participation of the principal representatives of monopoly capitalists.

1 The term "monopoly" here refers to the dominance of a few companies (or, in the extreme case, just one company, such as under state monopoly capitalism) in particular branches of industry or the economy as a whole. Oligopoly would thus be the more accurate term. Under such a situation, competition continues and may even intensify.

Table 1. Selected Indicators from the UNCTAD World Investment Report 2017

Item	1990	2005-2007 (pre-crisis average)	2014	2015	2016	% change from 1990
FDI Inflows	205	1,426	1,324	1,774	1,746	851.7%
FDI Outflows	244	1,459	1,253	1,594	1,452	595.1%
FDI Inward Stock	2,197	14,496	25,108	25,191	26,728	1216.6%
FDI outward stock	1,254	15,184	24,686	24,495	26,160	2086.1%
Income on inward FDI	82	1,025	1,632	1,480	1,511	1842.7%
Rate of return on inward FDI	4	7	7	6	6	136.4%
Income on outward FDI	128	1,101	1,533	1,382	1,376	1075.0%
Rate of return on outward FDI	6	8	6	6	6	93.2%
Cross-border M&As	98	729	428	735	869	886.7%
as % of FDI outflows	40.2%	50.0%	34.2%	46.1%	59.8%	149.0%
Sales of foreign affiliates	5,097	19,973	33,476	36,069	37,570	737.1%
as % of GDP	21.7%	38.2%	42.6%	48.6%	49.9%	229.8%
Value added (product) of foreign affiliates	1,073	4,636	7,355	8,068	8,355	778.7%
as % of GDP	4.6%	8.9%	9.4%	10.9%	11.1%	242.8%
Total assets of foreign affiliates	4,595	41,140	104,931	108,621	112,833	2455.6%
Exports of foreign affiliates	1,444	4,976	7,854	6,974	6,812	471.7%
as % of GDP	6.2%	9.5%	10.0%	9.4%	9.1%	147.1%
as% of Total Exports of goods and services	32.6%	33.3%	33.3%	33.3%	33.3%	102.1%
Employment by foreign affiliates (thousands)	21,438	49,478	75,565	79,817	82,140	383.2%
Memorandum items						
GDP	23,464	52,331	78,501	74,178	75,259	320.7%
Gross fixed capital formation	5,797	12,431	19,410	18,533	18,451	318.3%
Royalties and licence fees receipts	29	172	330	326	328	1131.0%
as % of income on outward FDI	22.7%	15.6%	21.5%	23.6%	23.8%	105.2%
Exports of goods and services	4,424	14,952	23,563	20,921	20,437	462.0%

Values at current prices (Billions of dollars)
Source: UNCTAD. 2017. World Investment Report: Investment and the Digital Economy.

1.4 The importance of capital export in capitalism

As monopoly capitalists come to dominate finance, production, and the market in their own country, the fields of investment in their home market narrows down quickly. Thus, monopolies export their surplus capital to other countries with the aim of looking after and raising further their profit. By exporting capital, monopoly capitalists secure the supply of cheap raw materials and labor, and boosts sales for their TNCs.

Historically, the export of capital to the underdeveloped countries became possible through colonialism. The newly emerging capitalist countries in the 19th century, England in particular, extracted precious metals, minerals and raw materials from their colonies while exporting finished goods to the latter. This destroyed production in the colonies that was predominantly based on agriculture, animal husbandry and handicrafts geared for domestic consumption. Colonial economies were reoriented towards exporting raw materials required by nascent industries in the imperial centers. At the same time these same economies, stunted and plundered by colonial powers, became increasingly dependent on more expensive imported manufactures as well as foreign capital from the industrial countries.

Today this unequal relationship between the advanced industrialized countries and the former colonies persists although – as we shall see in the next chapters – a few developing countries are now major hubs of low-cost manufacturing assembly for TNC production networks. This neocolonial relationship is made possible by the export of capital in the form of direct investments, portfolio investments, loans, aid and others.

Capital export in the form of foreign direct investment (FDI) outflows grew six-fold between 1990 and 2016, facilitated by neoliberal policies imposed by the finance oligarchy the world over. As a result, sales of foreign affiliates of TNCs have climbed even more steeply in absolute terms (from USD 5 to USD 37.5 trillion) as well as their share of global GDP (from 21.7 to 49.9 percent). TNC's exports of goods and services likewise increased rapidly from USD 1.4 to USD 6.8 trillion over the same period.[2]

Monopoly capitalists extract massive superprofits from the third world by directly exploiting labor; charging interest payments from loans; charging royalties and service fees from their "intellectual property"; and seeking maximum returns at the shortest possible time from portfolio investments. The rich donor countries even tie their foreign aid to the purchase of equipment and hiring of contractors from monopoly firms based in these countries. They also impose policy conditionalities on aid recipients designed to facilitate their exports, investments and accumulation of capital.

2 UN Conference on Trade and Development. 2017. World Investment Report 2017: Investment and the Digital Economy. http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782

2 GLOBALIZATION

NOTE TO TRAINERS

This part and the next shows how monopoly capitalists "globalized" their production (through offshoring, labor flexibilization, etc.). In this module, the emphasis is on how monopoly capitalists used new means of production (new technology) to disperse and decentralize their production (shifting to globalized networked production) in an attempt to overcome the crisis of overproduction (sagging profits).

It would also be important to stress how monopoly capitalists increased their ownership and control of globalized TNC production networks (and their superprofits) through their monopoly ownership of the means of production, despite its geographic dispersion.

2.1 The end of capitalism's "Golden Age"

It took World War II to overcome the crisis of overproduction of the 1930s, a.k.a. the Great Depression. The unprecedented destruction of industry, agriculture and infrastructure wrought by war paved the way for a period of sustained economic expansion, low unemployment, and stable prices in the advanced capitalist countries as they rebuilt their economies. Many mainstream economists now refer to the two decades after World War II as capitalism's "golden age".

Yet by the 1960s, the "long boom" was already showing signs of exhaustion. The full recovery of Japan and Western Europe meant intensifying competition among monopoly firms which put downward pressure on profit rates. At the same time, the US had devalued its own currency by printing dollars to finance its war in Vietnam. This undermined the system of fixed exchange rates in place since 1944 so much so that the US ended the US dollar's convertibility to gold by 1971. Since then currencies "floated" against each other and have become a major source of international financial instability.

The record levels of post-war economic growth gave way to "stagflation": a dismal combination of economic stagnation and inflation. All the major stock markets crashed in 1973 and lasted nearly two years. The oil price shock in October 1973 finally tipped the US and other advanced economies into a full-blown recession. The symptoms of capitalism's crisis of overproduction had surfaced once again.

In this economic environment, monopoly capitalists tried their best to cut down on costs and expand into new markets in order to arrest their falling rates of profits.

2.2 Globalization of agriculture[1]

Over the brief span of the 20th century, agriculture underwent greater change than it had since it was first adopted some 13,000 years ago.

In the advanced capitalist countries, diversified farms gave way to monocultures covering vast expanses of land. Farm labor became increasingly specialized, routinized and eventually performed by machines such as large tractors and combine harvesters. Antibiotics were introduced to livestock after the 1950s to make them gain weight faster using less feed. Between 1964 and 1976, the application of synthetic and mineral fertilizes on US crops nearly doubled, while pesticide use increased by 143 percent. The shift to specialized monocultures increased farmers' reliance on these chemicals, whereas crop diversity can help suppress weeds and other pests.

Later on, further big advances occurred in plant breeding and animal breeding, such as crop hybridization, GMOs (genetically modified organisms), and artificial insemination of livestock. Further down the food chain came innovations in food processing and food distribution (e.g., frozen foods).

New technology, including machines and chemicals, allowed farmers to work larger areas of land with less labor. By the 1980s, most food production in the US and other advanced capitalist countries took place on massive-scale operations. For example, half of all US cropland today is on farms covering at least 1,000 acres.

Alongside the industrialization and scaling up of farming, the markets for food and agricultural products also become increasingly dominated by large agricorporations. Vertical integration also occurred wherein large companies started gaining control of multiple industries involved in the same products. Smithfield Foods, for example, is involved in the breeding, production, slaughter, processing, and marketing of hogs and pork products.

As the productivity and scale of agriculture rapidly increased in the industrialized countries, they had to seek external markets for their surplus production. Advances in transportation technologies and the attendant reduction in costs facilitated the penetration of food exports even in remote regions of the developing world. Poor peasants producing grains and other food products in the developing countries were the first to suffer competition against the industrialized agricultural producers in North America, Europe, Oceania (Australia, New Zealand) and a handful of developing countries such as Argentina and Brazil.

In the 1950s, the United States government supported the 'Green Revolution' in agriculture purportedly as a means of increasing food production and promoting economic development in the Third World. It was also a way to assuage peasants demanding land reform and contain militant peasant movements that were on the rise in Asia and Latin America.

The Green Revolution was a new way of farming using high yielding varieties (HYVs) that produced significantly higher crop volume per hectare of land compared to the yields of traditional seeds. However, these so-called "miracle seeds" needed regular irrigation and chemical inputs such as pesticides and fertilizers in order to fulfill their promise. As the Green Revolution spread throughout Asia and Latin America over the next decades, it dramatically transformed agriculture in the third world from being self-reliant and diverse systems to become dependent on external inputs sold by agro-chemical TNCs such as Bayer and Monsanto.

Poor farmers with no access to modern irrigation systems and with little surplus for buying chemical inputs and hiring tractors and threshers were often unable to pay off their debts and forced to sell their lands to big landowners. Thus, the Green

1 John Hopkins Center for a Livable Future. "Industrialization of Agriculture" in *Food System Primer*. http://www.foodsystemprimer.org/food-production/industrialization-of-agriculture/

Poor farmers with no access to modern irrigation systems and with little surplus for buying chemical inputs and hiring tractors and threshers were often unable to pay off their debts and forced to sell their lands to big landowners. Thus, the Green Revolution also led to greater land concentration and further impoverishment of poor peasants. Image source: Levi Morsy

Revolution also led to greater land concentration and further impoverishment of poor peasants.

Moreover, these new HYVs proved unsustainable because they required increasing doses of chemical fertilizers to maintain their high yields over successive croppings. At the same time, the narrow genetic base of these HYVs and the mono-cropping methods they require made them more susceptible to pests and diseases. This pushed farmers to use even more chemical pesticides. But land fertility rapidly declined as more chemical inputs were dumped into the ground and polluted the water sources.

The dumping of agricultural surpluses from the industrialized countries together with the Green Revolution succeeded in destroying much of traditional agriculture and food production in the third world based on diverse seed varieties and farming methods adapted to local ecosystems and cultures. This was made worse by neoliberal policies that scaled back public spending for agricultural support and shifted production towards cash crops for exports while liberalizing imports of food and other products.

Today not only big landlords but even smallholder farmers are integrated into the agricultural supply chains of agro-industrial TNCs or supermarket giants based in the industrialized countries through contract farming. Farmers supply agreed quantities of a crop or livestock, based on the quality standards, delivery requirements and prices dictated by TNC buyers. Frequently, these farmers are also compelled to follow the land preparation techniques and other "extension advice" specified by TNC buyers which usually entail paying for inputs and equipment supplied by the latter.

All these paved the way for a more market-oriented globalized system of industrial farming dominated by agro-industrial TNCs and retail giants based in the capitalist countries. Six transnational agrochemical corporations – BASF, Bayer, Dow, DuPont, Monsanto and Syngenta – control 75 percent of the global agrochemical market; 63 percent of the global seed market; and more than 75 percent of all private sector research in seeds and pesticides in 2013. By controlling the key inputs in agriculture, a handful of TNCs now control the global food system. And now a new "Gene Revolution" is underway as biotech firms peddle genetically-modified and patented seed varieties all over the world. This is further strengthening monopoly capitalist control over agriculture and the global food system.

2.3 Globalization of industry[2]

Under pressure from increased competition and the mounting crisis of overproduction, many monopoly capitalists adopted labor-saving technologies such as robotics along with union-busting to cut down on wage costs. They utilized advances in computing power and declining costs in communications to further unbundle their organizational structures and outsource non-core functions to other entities. Eventually they set-up increasingly globalized production networks that exploited differences in wage rates, resource endowments, infrastructure, tax rates, regulations, and business cultures in different countries.

The global outsourcing trend started in the 1960s as retail giants such as Sears, K-Mart and some US apparel makers/distributors began to take advantage of the cheap labor and growing sophistication of the light manufacturers in Hong Kong, Taiwan and South Korea. More northern retailers started sourcing shoes, clothing, toys, and other mass consumer goods from these low-cost countries in the following decades. This also enabled a new generation of commercial capitalists such as Tesco, Walmart, and Carrefour to dictate retail prices of consumer goods produced at a fraction of what they used to cost in the North.

2 Smith, John. 2016. *Imperialism in the 21st Century: Globalization, Super-Exploitation, and Capitalism's Final Crisis*. New York: Monthly Review Press.

This increased pressure on manufacturers in the North to cut down on their production costs. Soon they followed the trail blazed by the retail giants and started outsourcing their labor-intensive production processes to third world locations where even cheaper labor was in abundance. They took advantage of declining transport costs to offshore labor-intensive manufacturing to low-wage countries such as Bangladesh, Indonesia, the Philippines and Vietnam.

This allowed monopoly capitalists who owned well-known brands such as H&M, Nike, Gap, and others to cut down on costs by simply buying cheap from contract manufacturers in the third world and selling them dearly in the advanced economies where more people can still afford to buy them.

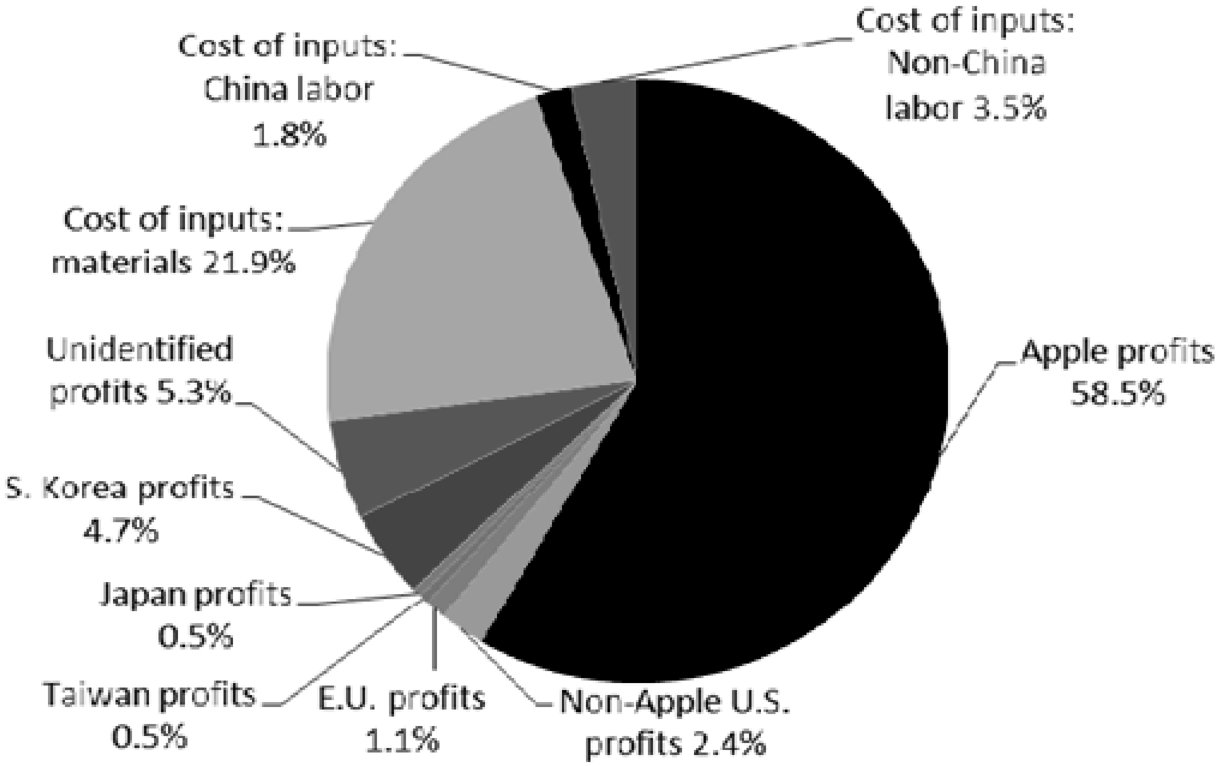
Soon after the exodus of low-end consumer goods manufacturing, the high-tech electronics industry followed suit. Well established electronics firms such as Cisco, Sun Microsystems, and AT&T started outsourcing circuit-board manufacturing (which used to be a highly labor-intensive process) to Taiwan and South Korea in the 1960s. This soon led to a torrent of outsourcing by the high-tech industries. By contracting out labor-intensive assembly manufacturing to low-wage contract manufacturers in the global South, high-tech monopoly firms such as Apple, Philips, Sony, etc. multiplied their superprofits exponentially.

Apple Inc. is an archetypal example of this. The US-based company sold 78.29 million iPhones globally in the last quarter of 2016 alone, accounting for 69 percent of the 78.4 billion dollars in total revenue it collected in the same period.[3] Yet Apple does not own a single factory nor does it employ any of the workers who actually manufacture these iPhones.

Instead Foxconn (a subsidiary of Hon Hai Precision Industry, a Taiwanese corporation)

3 Murphy, Mike. 2017. "Apple's first-quarter earnings were massive, and everyone loves the iPhone 7." *Quartz*, January 31. https://qz.com/899509/apples-aapl-q1-2017-earnings-were-massive-and-everyone-loves-the-iphone-7/

Figure 1. Distribution of value-captured from Apple iPhone



Source: Kraemer, Kenneth, Linden, Greg and Jason Dedrick. 2011. "Capturing value in global networks: Apple's iPad and iPhone." Personal Computing Industry Center. http://pcic.merage.uci.edu/papers/2011/Value_iPad_iPhone.pdf

assembles these iPhones under contract with Apple, using tooling and equipment under license from Apple, assembling intermediate inputs manufactured by Japanese, Korean and other international suppliers pre-selected by Apple. Together with Apple's licensed vendors, they form a globally-integrated production and distribution network led and coordinated by Apple, Inc.

Another study by the Asian Development Bank (ADB) estimates that "if iPhones were assembled in the US the total assembly cost would rise to USD 65 [instead of USD 6.50 per iPhone in China] and would still leave a 50 percent profit margin for Apple."[4] This means that Apple realizes USD 58.5 in *additional* profits (superprofits) for every iPhone unit sold just by outsourcing assembly to low-wage Chinese factories – and Apple sold 211.88 million iPhone units in 2016 alone.

4 Smith, John. 2016. *Imperialism in the Twenty-First Century: Globalization, Super-Exploitation, and Capitalism's Final Crisis*. New York: Monthly Review Press.

These TNC production networks require not just cheap but also a flexible and docile labor force at every stage. This means having a workforce that can be easily expanded or reduced in size, as well as easily shifted to perform multiple functions in accordance with rapid shifts in demand conditions. Trade unions and collective bargaining that protect workers' rights and interests – including their wages, security of tenure, hours of work and working conditions – are incompatible with the kind of labor force TNCs demand. Hence the globalization of production has been accompanied by a race to the bottom in terms of unionism, labor conditions and workers' rights.

Moreover, this globalization of production has not really facilitated export-oriented industrialization in the third world contrary to the claims of globalization advocates. Even the UNCTAD acknowledges that this outsourcing does not signify a rapid and sustained technological upgrading in the exports of developing countries. Rather,

Electronics factory in Shenzhen. By contracting out labor-intensive assembly manufacturing to low-wage contract manufacturers in the global South, high-tech monopoly firms such as Apple, Philips, Sony, etc. multiplied their superprofits exponentially.
Image source: Wikimedia Commons

"the involvement of developing countries is usually limited to the labor-intensive stages in the production process" while core technologies and designs are jealously protected by the monopoly firms based in the North. In fact, it has resulted in deindustrialization in many countries in the South, not just in the North.

So while new technologies have enabled greater decentralization and dispersion of production, they have also enabled greater centralization in coordination, control and exploitation by monopoly capitalists in a handful of advanced capitalist countries.

2.4 Globalization of services[5]

The globalization of production, consumption, and physical investment have stimulated demand for services that would support global business operations including information technology, communications, procurement, transportation, logistics, and finance.

In order to support the continued expansion of trade in goods and the growth of TNC supply chains on a worldwide scale, transport, shipping and logistics companies had to restructure and internationalize in order to facilitate the fast and seamless flow of goods across and within national borders.

At first this meant providing services to the world market from their home base as well as establishing subsidiaries (usually via mergers and takeovers) in other countries or via licensing agreements and joint venture companies. As a result, smaller firms merge and are often taken over by global logistics operators. The vertical integration of transport, forwarding and logistics services has also accelerated due to globalization so that TNC providers can now perform these services as a combined package adapted to the needs of integrated supply chains. This process of integration and consolidation has also favored the emergence of even bigger TNC service providers with a global reach of operations that perform the role of multimodal (land, air and sea) transport operators.

Just 15 global firms now corner nearly half (45.5 percent) of all global revenues in transportation, courier and postal services. These TNCs now control the means for circulation of commodities in the global capitalist system.

With the advent of the Internet and associated information technology hardware and software many types of services can now be outsourced and offshored like the manufacture of commodities. These include basically any service that can be delivered instantaneously to a computer screen or through a telephone line. This wasn't possible in a significant scale until the 1990s. This is because telecommunications costs had to fall far enough and the infrastructure necessary for this (e.g. fiber optic cables, electricity) had to be laid out at both sides of the exchange before this became viable.

In the case of financial services, advances in information and computer technologies (ICT) have made it easier for investors to collect and process the information they need to measure and monitor various factors to calculate financial risk and to manage large books of transactions spread across international financial centers in Asia, Europe, and the Western Hemisphere.

At the same time, the deregulation of financial services accelerated in the 1990s, paving the way for the rapid growth of a more diverse range of bank and nonbank financial institutions, including investment banks, securities firms, asset managers, mutual funds, insurance companies, specialty and trade finance companies and hedge funds providing financial services to investors across the globe. Even telecommunications, software, and manufacturing

5 Mann, Catherine L. 2004. *Globalization of Services: Why, How Much, and What to Do About It: Some Issues for the 'North' and the "South"*. http://pioneer.netserv.chula.ac.th/~kkornkar/inter%20trade%20undergrad/term%20paper/service1.pdf

The global outsourcing of business processes such as customer service, accounting, medical transcription, architectural drafting, computer programming, and so on also picked up in the 1990s. Large firms gravitated to low wage countries such as India and the Philippines where the appropriate infrastructure was already in place (such as technology parks) and had a large fairly educated English-speaking workforce that could be easily trained to perform such services for foreign customers. Image source: Magellan Solutions

companies have started to provide services similar to those traditionally provided by banks.

Moreover, these new players are creating new and complex financial instruments such as derivatives that are traded across borders virtually unregulated. All these changes have created an internationally mobile and volatile pool of capital and facilitated the explosion of credit.

The global outsourcing of business processes such as customer service, accounting, medical transcription, architectural drafting, computer programming, and so on also picked up in the 1990s. As ICT costs fell, companies started codifying and standardizing service activities done within the firm such as by making decision trees for customer services, spread-sheets for accounting, modularized computer programming, and so on.

This allowed large firms to outsource such functions to other firms and eventually outsource them abroad. They gravitated to low wage countries such as India and the Philippines where the appropriate infrastructure was already in place (such as technology parks) and had a large fairly educated English-speaking workforce that could be easily trained to perform such services for foreign customers.

As a result, the offshoring of IT-enabled services has exploded since the turn of the millennium, even faster than the globalization of manufacturing. But this has been confined to a handful of third world destinations.

3 NEOLIBERALISM

NOTE TO TRAINERS
This module focuses on the role of neoliberal policies in facilitating and deepening the process of "globalizing" production. In reality, these were implemented simultaneously and in a dialectical manner.

This globalization that was already underway since the 1960s became even more urgent for monopoly capitalists in order to deal with the capitalist crisis of overproduction that became acutely evident by the 1970s. However, monopoly capitalists needed not just the right technologies but also the correct set of policies to sustain and deepen their global expansion and accumulation of capital.

The conditions of stagflation were not conducive to capitalist growth. The standard government tools for managing economic downturns since the period of the Great Depression consisted of increasing net public spending especially on labor-intensive infrastructure projects. According to Keynesian economic theory, government investment and consumption would raise demand for businesses' products and for employment, increase purchasing power and stimulate a recovery.

But Keynesianism proved incapable of arresting stagflation in the 1970s. In this context, a different economic philosophy started to gain influence among academic economists and later among government policymakers. This was neoliberalism.

3.1 Neoliberal doctrine

Neoliberalism is a set of ideas or doctrine that holds free market capitalism as the best way of ensuring prosperity and freedom for all.

It is a misconception held by many that neoliberalism prescribes a "small state". In reality, it just reorients the role of the state to better serve the needs of monopoly capital.

The state's role according to neoliberal doctrine is not to take direct responsibility for ensuring the common good but to create and preserve an institutional framework that promotes and protects private property rights, free trade and free markets for corporations. The state should withdraw from direct provisioning of goods and services so as not to "crowd out" private investments and stifle entrepreneurship. Instead, the state should focus on defense, policing and maintaining legal structures and functions required to secure private property rights, and to guarantee, by force if needed, the proper functioning of markets and the sanctity of contracts.

States should allow the markets to self-regulate and find equilibrium. Where markets are imperfect, the state should intervene to make the markets work (but not to supplant the market). Where markets don't exist, they must be created by state action if needed (e.g., in land, water, education, health care, social security, environment, etc.). But it vehemently stands against state ownership of any significant means of production and opposes state intervention in the economy – unless it favors the private capitalists with profit-making opportunities, including the expansion (or contraction) of money supply and credit, tax cuts, contracts, subsidies, investment guarantees and other incentives.

Neoliberalism is also associated with 'monetarism'. This refers to the economic theory that says government and central-bank policy should be primarily concerned with keeping inflation low by carefully controlling the money supply – even if this ends up discouraging investment and job-creation. Monetarism favors finance capitalists because a large part of their fortune is in the form of fixed-interest assets that would be devalued by inflation.

Before the crisis of the 1970s, the ideas of neoliberalism remained marginal and confined to narrow intellectual circles in the Freiburg School, the Austrian School and the Chicago School of Economics. The overthrow of Salvador Allende in Chile by the CIA and Pinochet in 1973 provided the first laboratory for testing neoliberal doctrine in the real world. But it was the election of Margaret Thatcher in the UK in 1979 and Ronald Reagan in the US a year after that marked the real ascendance of neoliberalism as a global capitalist offensive against the working class and the third world.[1]

1 Tickell, Adam and Peck, Jamie. 2003. "Making Global Rules: Globalization or Neoliberalization?" In *Remaking the Global Economy: Economic-Geographical Perspectives*. Edited by Jamie Peck & Henry Wai-chung Yeung. California: SAGE Publications.

3.2 "Structural Adjustment": First wave of the neoliberal offensive

The first wave of this neoliberal offensive spanned the period of 1980s to early 1990s. This focused on dismantling "statist" economic policies through:

- Liberalization of trade and investments
- Privatization of public assets
- Fiscal austerity or cutting back public spending on social welfare and services
- Anti-social deregulation
- Labor flexibilization
- Minimizing taxes on corporations and elites
- Denationalization[2] or breaking down national barriers of underdeveloped countries to allow entry of foreign capital, goods and services
- A focus on price stabilization (monetarism)

The US government along with international financial institutions, particularly the Washington-based International Monetary Fund (IMF) and World Bank (WB), were crucial to imposing this agenda globally. Thus, this set of neoliberal policies is also referred to as "the Washington Consensus". Third world countries saddled with debt and facing balance of payments crises were blackmailed into implementing 'Structural Adjustment Programmes' (SAPs) in exchange for new loans. SAPs typically included austerity measures, high interest rates, cuts in government spending in fields like education and health, the liberalization of foreign trade and investment and the privatization of public enterprises.

The neoliberal offensive also dismantled the ramparts of socialism in the countries of the former Soviet Union and China. Their reintegration into the global capitalist system greatly widened the vista for capitalist expansion and accumulation.

Everywhere around the globe the labor movement was bludgeoned. The bloody crackdown on the air traffic controllers' strike in the US and the steel and

2 Denationalization generally means removal of government or public ownership and control.

The evidence of neoliberalism's negative impacts on jobs, livelihoods, incomes, health, education, and other public services, social protections, and the environment quickly mounted. Image source: People over profit

coal strikes in the UK were watershed events that signaled the end of the era of "social compromise".

The neoliberal offensive also had a strong cultural current. As an ideology, a big part of neoliberalism is about reshaping values in society. So governments, academe and mass media trumpeted the virtues of "freedom" – freedom of movement, freedom of exchange, free trade, entrepreneurial freedom, and so on. Freedom was contraposed to state intervention or government restrictions. There was also an emphasis on the virtues of having a "global village" – encouraging greater interaction between peoples from different countries. This was contraposed with "nationalism" which was equated with insularity and xenophobia.

This chorus reached a deafening crescendo after the fall of the Berlin Wall in 1989. Pundits welcomed the end of history as they declared capitalism and western liberal democracy as the pinnacle of civilization's progress.

3.3 "Good governance": Second wave of the neoliberal offensive

But the evidence of neoliberalism's negative impacts on jobs, livelihoods, incomes, health, education, and other public services, social protections, and the environment quickly mounted. So much so that the 1990s saw the rise of "anti-globalization" protests worldwide. The 1999 Battle of Seattle even succeeded in shutting down the World Trade Organization (WTO) Summit. The WTO has not managed to regain its momentum since then.

Moreover, financial crises erupted in the developed world almost every two years over the same period starting with the 1987 "Black Monday" crash of stock markets around the world to the 1997 Asian Financial Crisis and 1998 Russian debt default.

The vanguards of neoliberalism defended the doctrine by blaming the institutions that implemented neoliberal reforms. So policymakers unleashed a second wave of neoliberal restructuring starting in the late 1990s. This second wave, they claimed, was intended to improve the governance and transparency of public institutions; enhance competition in the private sector; and provide safety nets for the people who are displaced or left out by market reforms. Some economists misleadingly refer to this as the "Post-Washington consensus" even though it represents a deepening of the neoliberal agenda rather than a departure from it.

"Structural adjustment with a human face" became the mantra of the United Nations (UN) to make neoliberalism appear more benign and acceptable. This found its ultimate expression in the Millennium Development Goals (MDGs) agreed by UN members states in 2000. Donor governments directed more of their "aid" on poverty alleviation and social sectors while still imposing the core agenda of neoliberalism — liberalization, privatization, deregulation and denationalization — through international financial institutions and a new slew of bilateral and regional free trade agreements. SAPs were carried into the new millennium through the World Bank's Poverty Reduction Strategy Papers.

3.4 "Partnerships": Third wave of the neoliberal offensive

The 2008 global financial crisis finally shattered the myth of the efficiency of free markets. All the leading capitalist countries quickly mobilized public funds to bailout the big banks and conglomerates. They continue to subsidize the financial oligarchy through low (even negative) interest rates and quantitative easing.

"Partnerships" is the new mantra. Public-private partnerships (PPPs) are now the centerpiece of this third wave of the global neoliberal offensive where governments socialize the risks associated with private sector profiteering. "Blended finance" is now the preferred mode of financing "development", where public resources (such as official development assistance) are used to subsidize private investments in projects requiring huge capital outlays such as large infrastructure.

Ruling elites try to legitimize the continuation of neoliberal globalization by encouraging "multi-stakeholder participation" in its implementation, redirecting "civil society's" attention and energy away from opposition towards dialogue and reform.

Over the last few years, and especially since the inauguration of Donald Trump as U.S. President, some of the capitalist governments have adopted the rhetoric of economic nationalism and appear to be retracting their commitment to neoliberal globalization. In reality, this merely signals a shift towards a more aggressive unilateralism and competition among the leading capitalist powers. It represents the gradual unravelling of the multilateral system – the united front of capitalist states under the leadership of the US – that was established after World War II. It is another symptom of the worsening general crisis of the global capitalist system.

Nevertheless, despite their rhetoric, these same governments remain committed to extending the neoliberal offensive at home and abroad by implementing:

- more severe austerity measures and labor flexibilization;
- removing social and environmental regulations and gutting regulatory agencies;
- privatizing the public sector and the commons most prominently in the form of land grabs;
- deepening the denationalization and compradorization of third world economies by extending the global supply chains of TNCs;
- strengthening protections for monopoly-capitalist property and profits, especially by extending intellectual property rights over technologies, knowledge and brands;
- institutionalizing mechanisms for Investor-State Dispute Settlement that grants de facto veto power to multinational corporations over regulations or reforms that governments might adopt under increasing popular pressures for immediate relief and reforms amidst the crisis;
- rewriting international and national legal systems and regulations through new bilateral or regional trade and investment agreements; and
- incorporating low-income and middle-class households into financial markets through so-called 'inclusive financing' schemes.

4 FINANCE CAPITAL AND GLOBALIZATION

NOTE TO TRAINERS
This module is about finance capital and its operations. Do not over-emphasize or get bogged down in discussing financialization (which tend to be very technical).

4.1 Rise of finance capital and the finance oligarchy

Alongside the rapid growth and concentration of production described in Chapter 1 came the rapid growth and concentration of the finance capital of the banks, investment companies and securities. Monopoly in banks emerged the same way that monopoly in industry arose. And just like in industry, the largest banks tighten further their control over the entire financial system.

These banks become instruments for merging and linking isolated, small and big capital in industry. They come to control access to credit for production and commercial transactions. Eventually they also merge, conspire, exchange stocks, and form interlocking boards of directors of the largest monopolies in industry. Thus, they have brought under their control not only the isolated capitalist enterprises and their operations, but also the whole of capitalist society.

Once financial capital is consolidated, its biggest owners become the financial oligarchy and rise to the top of the capitalist class. In short: the financial oligarchy is a small number of powerful capitalists that control finance capital by owning the biggest banks and finance houses, as well as the biggest industrial corporations. Each bloc of the financial oligarchy usually takes the form of a combined industrial-financial business conglomerate. The business of determining the financial needs – and thereby the profit margins – of industry and in the economy as a whole is now concentrated in a handful of giant banks.

A recent study that examined the shareholders behind a sample of 299 "very large corporations" (all TNCs) in 2009 revealed that 41 percent of their assets are held by banks or financial companies and another 27 percent are held by mutual funds, pension funds, insurance companies, private equity firms, hedge funds or venture capital. Only 3.3 percent of assets are held by families or individual shareholders. Even for very large *industrial* corporations, around 60 percent of assets are held by banks and financial institutions.[1]

The finance oligarchy had been described as coupon collectors (who accumulate loan and bond certificates), whose overriding objective is to reap the biggest superprofits in the shortest amount of time by whatever means possible. The dominance of finance capital and the financial oligarchy

1 Very large companies, or VLCs, here refer to the top 300 TNCs -- 250 largest industrial corporations by turnover plus the 50 largest financial corporations by assets -- from a global database on corporations owned by Bureau van Dijk (a business intelligence company). From Peetz, David and Georgina Murray. "The Financialization of Global Corporate Ownership." In *Financial Elites and Transnational Business: Who Rules the World?* Edited by Georgina Murray and John Scott. Northampton, MA: Edward Elgar Publishing.

worsens further the parasitism and rottenness of the capitalist system.

4.2 Perpetual indebtedness of the third world

As mentioned in Chapter 1, monopoly capitalists are compelled to export capital in order to rake in superprofits from all corners of the world. One form that this takes is by providing loans and aid to underdeveloped countries. Loans to the underdeveloped countries may be private (loans of the monopoly commercial banks), or "official multilateral aid" from international institutions such as the IMF, World Bank and the Asian Development Bank (ADB), or "bilateral aid" of one government to another. Private loans have a high interest rate, and a large part of them requires short-term repayment.

Loans, aside from earning high interest, are also used to artificially boost the ability of underdeveloped countries to consume and import manufactures and other goods from developed countries. They are also used to support the foreign direct investments of TNCs in underdeveloped countries by attaching policy conditionalities that governments must implement:

- to extract maximum freedom for foreign business and investments;
- to capture large government contracts;
- to expand the market for capitalist products; and
- to ensure the unimpeded remittance of superprofits they extract from the underdeveloped countries.

These loans became prevalent during the 1970s when the monopoly commercial banks used the flood of dollar deposits of the oil-exporting countries (so-called petrodollars) to entice third world countries to borrow and enable them to widen their importation of export products of the industrialized countries.

The rapid build-up of third world debt in the 1970s played a crucial role in paving the way for the neoliberal restructuring of developing countries in the subsequent decades. The US Federal Reserve drastically raised interest rates in 1980 to combat inflation but this triggered another global recession and depressed prices for primary commodities. The combination of higher global interest rates and lower export earnings drastically increased the debt burden of many developing countries. This led to widespread defaults in Latin America and Africa which came to be known as the "third world debt crisis" of the 1980s. In order to refinance these loans – i.e. obtain new loans to pay off older loans – developing countries had to run to international financial institutions such as the World Bank and the IMF which imposed structural adjustment policies as described in Module 3.

But rather than transform the economies of developing countries to enable them to grow out of indebtedness, this neoliberal restructuring undermined domestic industry and agriculture in the third world and deepened their dependence on goods, technology and capital from developed countries. It should therefore be no surprise that despite having paid more than the loans they have taken out, third world debt has increased manifold over the same period – and continues to grow with no end in sight.

4.3 Speculative Capital Flows[2]

Aside from funding the expansion and restructuring of industrial production, the finance oligarchy also squeezes profits through financial manipulation and speculation.

2 Tyson, Judith and Terry McKinley. 2014. "Financialization and the Developing world: Mappingthe Issues". *Financialisation, Economy, Society and Sustainable Development*, Working Paper Series No. 38. http://fessud.eu/wp-content/uploads/2015/01/Working-Paper-38-FESSUD-Financialization-in-the-developing-world-mapping-the-issues.pdf

In the capitalist countries, profits are huge and continue to expand from the issuance of stocks, the manipulation of the stock market, trading of bonds, securities and derivatives, commissions from financial transactions, and the speculation in money, land, raw materials, precious metals and even the arts. Image source: theatlantic

In the capitalist countries, profits are huge and continue to expand from the issuance of stocks, the manipulation of the stock market, trading of bonds, securities and derivatives, commissions from financial transactions, and the speculation in money, land, raw materials, precious metals and even the arts.

Finance capitalists also seek new profit opportunities for the enormous amounts of funds parked in their commercial banks through cross-border portfolio investments. These consist of equities, bonds, securities, derivatives and other financial assets purchased by investment banks, pension funds, mutual funds, insurance companies, hedge funds and various other large investors.

Portfolio investments took off in the 1990s after the removal of capital controls and other regulations in the banking and finance industries in both developed and underdeveloped countries in accordance with the Washington consensus. This was also aided by the digital revolution.

But portfolio investments are also called hot money because they are volatile in nature. Once capital controls and finance regulations are relaxed they easily flow across borders. In the 1990s this led to a boom in equities and property markets in so-called emerging markets in Asia. But in 1997 the surge of portfolio investment inflows suddenly reversed direction, triggered by the Thai government's decision to unpeg the Thai Baht from the US Dollar. This led to the collapse of currencies not just in Thailand but also in neighbouring countries, followed by bank runs, bankruptcies, massive job losses and impoverishment. This came to be known as the Asian Financial Crisis.

An IMF report reveals that since 1980, there have been 150 similar episodes of increased volatility in more than 50 developing countries which pursued financial openness strategies involving sudden inflows and outflows of portfolio capital, with about 20% leading to severe financial crises in these economies.

4.4 Financialization

NOTE TO TRAINERS
Use stock market bubbles to illustrate financialization.

Financial crises have become the new norm as the financial oligarchy use an increasing proportion of their surplus capital to extract untold profits from activities detached from the real economy or the production of real goods and services. The process whereby profit making in the economy increasingly takes place through financial channels rather than through productive activities is called **financialization**. Financialization is now accelerating due to the deepening crisis of overproduction and overaccumulation of capital.

Financialization is evident in the increasing proportion of total profits in the economy coming from interest payments from loans, dividends, or capital gains rather than from the actual production or trade of commodities. This translates to the increasing importance of financial actors, financial markets, and financial institutions in the operation of economies and their governing institutions, both at the domestic and international level.

Financialization is also evident in the increasing involvement of non-financial corporations in financial activities. For example, companies such as Wal-Mart, Carrefour, Tesco, Kroger, and most major retailers offer financial services like credit cards, check cashing services, insurance programs, bill payment centers, the sale of money orders, and money transfer services. More recently they have begun offering savings and checking accounts, pre-paid debit cards, and even home mortgages. This has also made them more short-term oriented.

With the proliferation of so many financial instruments that provide quick and high returns, shareholders have become even more impatient in the last couple of decades. So under the strategy of 'shareholder value maximization', astronomical salaries are paid to managers in return for maximizing short-term profits and stock market values of corporations. Corporations now spend an increasing proportion of their earnings in paying dividends to shareholders and buying back their own stocks in order to prop up the share price. Such practices leave fewer resources with which the company can invest in things like machines, R&D and training, reducing its long-term productivity not to mention workers' wages and benefits.[3]

However, financialization also blurs the division between production and speculation. This can be seen in the increasing involvement of financial institutions in productive activities for speculative purposes. For instance, investors speculating on land values now deposit their funds in large investment banks, hedge funds, private and publically traded real estate investment trusts (or REITs), or in companies that combine farm management with strategies to acquire agricultural land. Their interest in land is based primarily upon its anticipated appreciation in value, while the value generated by agricultural production is perceived as an added bonus. In other words, financial actors are first and foremost speculators. This is one of the drivers of global landgrabbing today.

Financialization is given an extra boost through a process called leveraging whereby financial capitalists take out enormous amounts of debt to multiply the sums of capital they use for trading in financial assets such as derivatives. This ultimately inflates asset bubbles in equities, property and other markets. The more speculative trading occurs, the greater the market value of financial assets, and the greater the wealth held by the 0.01% in the world who hold the lion's share of these assets.

But not only the wealthy are involved in financial markets today. As the cost of living rises beyond the reach of working people's wages, and as social welfare and safety nets are removed, workers and middle-class families are driven to increasingly rely on debt as well as insurance, private pension plans,

3 Chang, Ha-Joon. 2014. *Economics: The User's Guide: A Pelican Introduction*. London: Penguin Books.

The 2007 sub-prime mortgage crisis in the US that to the near collapse of the global banking system in 2008. Central banks of the capitalist countries responded by rescuing the big banks and corporations of the finance oligarchy with the use of public money.
Image source: commondreams.org

mutual funds and other mass-marketed financial products. Farmers sell futures contracts as well as purchase insurance for their crops. Thus, ordinary households in the developed countries are made to believe that these are the solutions to the increasing uncertainties of life resulting from the dismantling of the welfare state, economic instability and even climate change.

The acceleration of financialization strengthens the rule of the financial oligarchy but also worsens the parasitism and rottenness of the capitalist system. It has increased interconnectedness but also heightened the instability of the entire economic system and its tendency towards stagnation and decay. The profits extracted in this manner acts like a "tax" on the entire society and in fact comprise a growing part of the overall earnings of society today (as well as future earnings) while further concentrating wealth in the hands of the finance oligarchy.

The 2008 global financial crisis provides a dramatic illustration of the consequences this process.

4.5 The current crisis as the new normal

Debt-fuelled speculative trading in "exotic" financial assets put the entire financial system of the most advanced economies on the brink of collapse in 2008. The ensuing global financial and economic crisis has persisted and is causing the rapid deterioration of the situation of workers both in advanced capitalist countries and underdeveloped countries. Even mainstream economists and financial analysts now acknowledge that the global economy has not really recovered and instead has entered a third wave of the global financial crisis.

The first wave was triggered by the 2007 sub-prime mortgage crisis in the US that led to the near collapse of the global banking system in 2008. Central banks of the capitalist countries responded by rescuing the big banks and corporations of the finance oligarchy with the use of public money. This further widened fiscal deficits and raised the levels of public debt in the advanced capitalist countries.

While this temporarily succeeded in protecting the balance sheets and assets of big financial institutions and corporations, it quickly led to a sovereign debt crisis centered in the Eurozone.

This second wave of the global financial crisis plunged the less developed countries of Europe — Greece, Italy, Portugal and Spain — into severe recessions and saw the near collapse of the European Monetary Union in 2012. It has also prompted governments across the continent to impose harsh austerity measures and dismantle labor rights to the detriment of workers and impoverished people.

Now the third wave of the crisis is centered in the so-called "emerging economies" with the end of debt-driven growth in China, the end of the commodities boom for raw material exporting countries such as Brazil and South Africa, and massive capital flight from developing countries as a whole.

The results of the measures taken in relation to the crisis are paving the way to greater and more dangerous convulsions. Bank bailouts and the ultra-loose monetary policy adopted by the central banks have put more money in the hands of the financial oligarchy but has inflated global debt by USD 57 trillion in just eight years from 2007. Global debt is now over USD 200 trillion and growing at a much faster pace than global GDP. This unpayable debt is the ticking time bomb that is inevitably going to explode and plunge the world into another and more severe financial seizure.

Meanwhile, the richest 62 monopoly capitalists in the world have increased their stock of wealth by USD 542 billion since 2010 while the most exploited 3.6 billion people have lost USD 1 trillion over the same period. From 1980 to 2016 the world's richest 1% captured 27% of total income growth, which is twice than that for the bottom 50% of the world population. Forty-six percent of the world's population continues to subsist on less than USD 5.50 a day by 2015. This shows how the finance oligarchy have in fact appropriated massive wealth from working people in the form of bailouts, cuts in social spending, new taxes and resource grabbing. David Harvey refers to this as "accumulation by dispossession".

4.6 Foreign aid for monopoly capital

While being dwarfed by private capital flows, official development assistance (ODA) remains significant, particularly for low-income countries. ODA or "foreign aid" refers to resources made available by governments as grant funds, grants in kind, services or concessional loans that have at least 25% grant component. The declared aim of all ODA is to promote development and the welfare of developing countries, whether it comes from a single donor country or from many donor countries that course aid through multilateral institutions such as the World Bank, the European Commission or United Nations (UN) agencies. The former is referred to as bilateral aid while the latter is known as multilateral aid.

ODA emerged during the late colonial period of the 1940s. The US-sponsored "Marshall Plan" for Europe is considered the first major foreign aid initiative in history. This was meant to accelerate the reconstruction and stabilization of the crippled economies in Europe, particularly those on the periphery of the "Communist bloc" of that era out of fear that they may be swept into the orbit of the Soviet Union. By the end of the 1950s, the old colonial powers in Europe also had to shift to neocolonial strategies in order to maintain their spheres of influence in the face of national liberation movements and anti-colonial struggles in the latter. What used to be imperial funds established to facilitate capital investment and accumulation from the colonies were then reorganized to deliver aid to the newly independent states.

But even with more than USD 4.18 trillion of aid money spent over the last half a century, almost

Even with more than USD 4.18 trillion of aid money spent over the last half a century, almost all underdeveloped countries are nowhere closer to realizing ODA's professed aim of eliminating poverty, famine, disease and war in the world.
Image source: US Army Africa

all underdeveloped countries are nowhere closer to realizing ODA's professed aim of eliminating poverty, famine, disease and war in the world[4]. Even the rare instances when aid was a success in terms of development outcomes – the Marshall Plan for Europe in the 1940s, and aid for South Korea and Taiwan in the 1950s to 1960s – it was given primarily in the service of the US objective of containing communism.

Indeed, not only does aid serves to mask the historic and continuing plunder of the third world, it actually facilitates it. This is because, aside from favouring certain countries over others in order to advance their strategic geopolitical agenda, donor countries attach policy conditionalities to their ODA in order to promote their commercial interests.

Since the 1980s, these consist mainly of liberalising trade and investments, liberalising financial markets, privatising social services and down-sizing governments, removing subsidies for the poor, fiscal austerity, etc. These favour multinational corporations (MNCs) from donor countries that have been able to take advantage of greater access to cheaper labour, raw materials and export markets. As such donors continue to impose these conditionalities even as evidence of their anti-poor implications continue to mount.

These policy conditionalities can take the form of prior actions that the recipient governments must undertake in order to qualify for ODA; performance criteria that governments must meet in order to trigger the release of aid money; or structural benchmarks which are used by donors to evaluate country performance and for the basis for allocating more aid resources to "good performers"[5].

Aside from policy conditionalities, a significant portion of ODA is provided as tied aid. This refers to aid that requires the recipient to purchase exports from the donor country or a select group of countries. Nearly one-third of ODA from the

4 Easterly, William. 2006. *The White Man's Burden: Why the West's efforts to aid the rest have done so much ill and so little good.* New York: The Penguin Press.

5 IBON International. 2007. "Primer on Development and Aid Effectiveness." Quezon City: IBON International.

G7 countries is tied to the purchase of goods and services from the donor countries.[6]

The history of international aid is also replete with kleptocrats who were financed by external donors because they helped advance the geopolitical interests of major powers. Foreign economic and military aid propped up many a despot who looted the nation's coffers while terrorizing the people. Years of looting and donor indifference to this plunder and oppression have contributed to the persistent maldevelopment, indebtedness and democratic deficits in many of today's least developed countries. In the name of development cooperation, many donors in effect finance kleptocrats due to a combination of their own country foreign policy interest considerations and indifference to democracy and aid effectiveness.

The increasing militarisation of aid since 9/11 has also become a way of justifying support for the military and security apparatus of states waging internal wars to preserve domestic elite and capitalist interests, such as in Colombia and the Philippines.

Today, for every USD 1 of aid that developing countries receive, they lose USD 24 in net outflows to developed countries because of how aid is used together with other neocolonial schemes by capitalist countries.

6 Oxfam International. 2005. "Paying the Price: Why rich countries must invest now in a war on poverty." Oxford: Oxfam International.

5 GLOBALIZATION, MILITARIZATION, AND WAR

NOTE TO TRAINERS
This part is essential in amplifying why globalization means war or how monopoly capitalism fuels wars to redivide territory, political power and economic control of the world.

5.1 Competition for spheres of influence

Under monopoly capitalism, the concentration of capital had reached the point wherein further wealth accumulation required corporate interests to expand overseas, particularly towards the unindustrialized countries of the South.

The international scope of their economic operations requires monopoly capitalists to seek decisive political influence or control over foreign territories in order to secure and further their investments. They must be assured that their properties overseas would not be expropriated, for example; or that their exchange transactions and contracts would be honored and their loans would be repaid—in short, they must be assured of continued profit extraction. For this they must employ the extensive coercive powers of the state. Monopoly capitalists thus compete directly via their multinational corporations as well as their states.

Thus, monopoly capitalist states colonize other countries or, in the face of anti-colonial resistance, impose neocolonial or indirect rule over other nations. Colonial or neocolonial rule provides monopoly capitalists more security for their overseas investments. It gives monopoly capitalists from the colonizing power greater advantages over their competitors from other countries. On the other hand, the colonial and neocolonial subjugation of peoples in underdeveloped countries deny them rightful ownership and control of their resources and their right to self-determination.

Within the first few decades of the 20th century, the territorial and economic division of the world by capitalist states was already completed. This division is largely determined by the relative economic and political strength of each capitalist power. However, any existing division is only temporary because the strength in the economy and politics of the various capitalist countries changes as a result of their uneven development. Whenever there is a change in the alignment of wealth and power, the rivalry, the tug-of-war, and the competition for a re-division of the world intensifies. In the era of monopoly capitalism, one power can expand only by means of ejecting and overpowering another. The result is wars to redivide the territory, political power, and economic control of the world.

From the time capitalism entered this era, wars have flared up because of the competition of the capitalist countries for territory and the domination of the world.

For instance, Nazi Germany wanted to redraw Europe's borders and crush the Soviet Union to pave the way for a Germanic world empire extending eastward to Asia and southward across the Mediterranean, with Italy as its junior partner in slicing up Africa. For its part, Imperial Japan envisioned its own "Greater East Asia Co-Prosperity Sphere" and wanted to gobble up the whole of China. Germany, Japan and Italy formally aligned into the Axis alliance. The opposing alliance included France, Poland and Great Britain at first, later including the US, Soviet Union, British India, China under Guomindang rule, and other members of the British Commonwealth. The US profited enormously from this war — at first waiting on the sidelines, then choosing the winning side at the right moment. By war's end, it had clinched the best position from which to get the bulk of the spoils.

5.2 Territorial division of the world, militarism and war

In order to widen their territory, the monopoly capitalists also manipulate the quarrels of smaller and weaker countries. When the capitalists find it is to their advantage, they goad them on to war. The most numerous cases of warring of the monopoly capitalists involve their aggression or abetting their puppets to crush the resistance of the people in the colonies and semi-colonies.

The US depicted itself as the defender of the "free world" against the threat of international communism. The US ringed the Soviet Union and China with military bases, created a nuclear umbrella over its allied states and puppet regimes, maintained other bases in all continents and on key Pacific islands, and quashed people's wars and liberation movements throughout the third world, lest these countries are taken over by communists. The US has attacked no less than 24 countries and fought countless proxy wars since the second world war.

With the dissolution of the Soviet Union in 1989, the US had to search for new "enemies" and "threats" to justify its empire of bases and monumental levels of military spending necessary to maintain US global hegemony. The 9/11 attacks provided the pretext to launch a new "war on terror" ostensibly targeting a broad range of jihadist groups and anti-US Islamic states supposedly coddling such groups. Neoconservative militarists in the US state adopted the doctrine of full-spectrum unipolar world dominance and invoked the UN's "responsibility to protect" principle to justify preemptive military action.

In fact, the US military has trained and supported proxy armies and paramilitary groups including jihadists such as Al Qaeda and the Daesh (ISIS/IS) to destabilize countries not aligned with US designs and crush liberation movements in the oil-rich region of West and Central Asia and North Africa and beyond.

5.3 War is big business

Even without a war, the monopoly capitalist countries are always preparing for war. They are maintaining large and powerful, permanent standing armed forces ready to do battle at any time. It is already an ordinary part of life of the capitalist powers to spend large amounts of money on arms, to allocate a large part of production to the arms industry, and to maintain a large military bureaucracy.

War preparations are dictated by the need of the state to be always ready to defend the rule of monopoly capital against rivaling capitalist countries, revolutionary movements in the semi-colonies, and the revolutionary struggle of its own proletariat.

Besides, arms production is a large and lucrative business for monopoly capital. By maintaining a large arms industry, monopoly capital is able to use

The US military has trained and supported proxy armies and paramilitary groups including jihadists such as Al Qaeda and the Daesh (ISIS/IS) to destabilize countries not aligned with US designs and crush liberation movements in the oil-rich region of West and Central Asia and North Africa and beyond.Image source: Independent

large surplus capital and the large surplus capacity in production of heavy industry for businesses with a sure high profit because the clients are states that spend billions of dollars from taxes collected from their people. Monopoly capitalists also reap big profits from exporting arms and war materiel, especially to the fascist puppet regimes in the semi-colonies. Thus, the permanent arms industry is already an important part of running an economy ruled by monopoly capital.

War and preparations for war mean big expenditures. These expenditures can only be met by means of reducing drastically the allocations for essential services to the people. Not to mention the outright damage to the lives and livelihood of the people affected by conflict.

But for monopoly capital, war and preparations for war are a large source of superprofits, and a means for perpetuating and enlarging further their own sphere of power. This is another indication that monopoly capitalism is parasitic and moribund capitalism, that it intensifies further the fundamental contradictions of capitalism.

5.4 Rising militarism and war today

The protracted economic crisis of the global capitalist system is now intensifying geopolitical struggles and social conflicts all over the world. Capitalist states, led by the US, are becoming ever more aggressive in capturing and controlling more territories as sources of raw materials and low-cost labor, as captive markets and supply routes, and as launching pads for projecting military force overseas. As neoliberalism plunges deeper into crisis, militarism – the reliance of states on military means to achieve the purposes of domestic governance and external relations – is on the rampage in every continent today.


The US stands as the principal purveyor of militarism and war, and the biggest destabilizing factor in the world today.
Image source: armytimes

The US stands as the principal purveyor of militarism and war, and the biggest destabilizing factor in the world today. It is hell-bent on trying to stop its strategic decline and preserve global hegemony against the rise of Chinese monopoly capitalism and other rivals such as Russia and their allies.

In this context, US-led militarism and militarization has been escalating in recent years as evident in the rise of:

1. wars of aggression, military intervention and orchestrating regime change overseas;

2. arms build-up and the growth of the military-industrial-financial complex;

3. war provocation and the expansion of the military's global footprint (bases, security alliances, etc.);

4. support for authoritarian regimes, paramilitary death squads, terrorist groups and pseudo-revolutionary groups overseas;

5. militarization of the civilian bureaucracy, the national budget, academic institutions, policing and repression of civil liberties;

6. neo-fascism, fear-mongering, xenophobia, racism and Islamophobia; and

7. rape, harassment, violence against women as weapons of war and pacification of communities.

In the face of the worsening atrocities being committed by the US, its allies and its proxies, more and more people are resisting the US war machine. Peoples in the oppressed countries are asserting their sovereignty and right to an independent course of development. National liberation movements in the oppressed countries are waging militant and armed struggle. Even in the capitalist countries, the people are increasingly opposed to the wars that their governments are waging in their name.

6 DEEPENING CAPITALIST PLUNDER, AND EXPLOITATION

NOTE TO TRAINERS
It is important to come prepared with a case study of this section relevant to the country/ies of participants.

6.1 Colonialism and neocolonialism

Our problems in developing countries did not start with neoliberal globalization. As we all know, many of our current problems can be traced back to our colonial past.

Colonialism and neocolonialism transformed the economies of the global South away from diversified and self-reliant systems towards economies dependent on capital from and access to markets in the North. This has resulted in the ecological devastation and exhaustion of land, forests and other natural resources which directly affect the livelihood of innumerable communities in the South.

Monopoly capital has thus created a single world economy divided into numerous nation-states occupying fundamentally different positions in the international division of labor. Neoliberal globalization has reinforced this system dominated by monopoly capital based in the capitalist countries where finance capital as well as advanced technologies and associated skills are concentrated. A few middle-income countries are the preferred locations for labor-intensive and highly polluting assembly of less sophisticated manufactures and, increasingly, for services outsourced from the major economies such as business processing and information technology. Low income countries remain largely dependent on agriculture, natural resources, and extractive industries which are also dominated by foreign capital and dependent on foreign markets.

This status quo—the underdevelopment of the South and the economic and political dominance of Northern powers—is maintained through unequal exchange in the form of unjust trade, debt, and investment policies and property rights in favor of monopoly capital.

But the economic and ecological exploitation of the South is ultimately enforced by violence and oppression. Atrocious campaigns of wars of aggression have been waged by capitalist states to expand their territories, gain direct or tighter control of land, energy, and other natural resources and widen their spheres of influence in behalf of monopoly capital. World War I and II were horrific examples of this, but even today's wars are still very much fueled by the same dynamic.

Capitalist interests link up with the interests of the comprador-big bourgeoisie, the big landlords, and the trader-usurers. Because feudal and semi-feudal relations are maintained in the greater part of agriculture, another large part of the products of labour goes to land rent, and the profit of usurer

Stunting the development of colonies or neocolonies is extremely beneficial for monopoly capitalism. Because of their underdevelopment, the poorer countries are forced to depend largely on foreign investments, loans and technology. Image source: Quang Nguyen Vinh

and trader capital, instead of using it to enlarge the capital in industry. The joint exploitation by monopoly capitalism and its local agents among the population limits the growth of the local market and national industry.

Stunting the development of colonies or neocolonies is extremely beneficial for monopoly capitalism. Because of their underdevelopment, the poorer countries are forced to depend largely on foreign investments, loans and technology. The poorer countries are easily made to follow the international division of labour set by monopoly capital: as creators of raw materials for the industries of the capitalist countries, and importers of finished goods and modern production equipment. Monopoly capital can dominate and dictate easily upon their economy and politics.

The domination of monopoly capitalism also intensifies the unequal and lopsided development of the local economy of the underdeveloped countries. The capitalist export production—upon which national earnings depend principally—and its particular sectors, become vigorous or lose steam, enlarge or reduce, depending on the needs of the capitalist countries. Capitalist production for the local market is devoted to minor processing of consumer products only for a small prosperous part of the population. Capitalist production for the local market depends on the importation of machinery and other production equipment, and serves as a pipeline for industrial products from developed countries. Between these sectors—both of which cannot stand on their own, are unbalanced and cannot deliver progress—lies the underdeveloped agricultural production of the small peasants ruled by the landlords of the old type and the commercial usurers.

6.2 Neoliberalism intensifies neocolonial plunder and exploitation

Over four decades of neoliberal globalization has further strengthened capitalist domination of the whole world. It has exacerbated the concentration of capital and production and intensified the exploitation of the toiling masses. It has resulted in a greater outflow of wealth from underdeveloped countries and has further undermined prospects for their own industrialization and all-rounded development.

The limited resources of the underdeveloped countries are strained for:

- the payment of the foreign debt;
- the extraction of superprofits by the monopolies;
- the importation of products for the consumption and luxury of a small prosperous section of the population;
- corruption of the civil and military bureaucrats;
- militarization and military equipment;
- incentives for foreign investment;
- support for export production; and,
- many other non-productive expenses.

In many countries, neoliberal globalization has also resulted in worsening the problem of food shortages. The resources and support in agriculture are devoted to export production. An increasing part of agricultural lands are placed under export crop cultivation and real-estate speculation—while the remaining lands devoted to grain are left underdeveloped and lacking in capital.

The seas are being strained, poisoned, and killed off by the gigantic fishing factory ships of the industrialized countries; aquaculture for export; and the use of (cyanide) poison and explosives which, on the one hand, is the result of the drive for profit in the foreign market, and, on the other, is the survival imperative of indigent fisherfolk. Hundreds of millions are victims of hunger and malnutrition. Thousands of children die every day due to basic, preventable illness.

In order to overcome a miserable life and to search for employment, hundreds of millions in the colonies and neocolonies migrate to other countries, leaving their families behind. A large majority of them are "illegal" migrants, who endure extreme living and working conditions, and are preyed upon by recruiters, bureaucrats and employers. Monopoly capital uses millions upon millions of migrant workers in the industrialized countries as a reserve of cheap labour power in order to lower the overall level of wages, to curb unions and labour power, and to ensure superprofits.

However, with the intensification of the crisis of capitalism, migrant workers are targeted with racism, discrimination and government restrictions. In exchange for the multiple hardships and sicknesses of the migrants are billions of dollars they remit to their home countries where they are not spared from new schemes, taxation and control to benefit to the hilt the monopoly capitalists and the local reactionary classes.

With the collapse of production in the underdeveloped countries, criminality and prostitution worsens further, together with the widespread proliferation of drugs, the epidemic of AIDS, and the culture of decadence and parasitism.

A century of capitalist plunder of the labour power and the natural wealth of the third world has created unprecedented extensive and unparalleled intensive despoliation of the environment. Millions upon millions of people are in peril not only because of their poverty and lack of livelihood, but also because of calamities as a result of the unmitigated abuse of nature which has accelerated under neoliberal globalization.

6.3 In-depth third world example [Optional]

NOTE TO TRAINERS
Use the situation in the country/ies of the participants to illustrate the points raised in this section.

Image source: Kris Krüg

7 STRUGGLE FOR SYSTEM CHANGE

NOTE TO TRAINERS
Be prepared to debunk misleading theories or notions of "alternatives", e.g., population theory, lifestyle change, sectoralized framing, etc. but only if they are raised by participants. Avoid presenting these misleading notions otherwise.

It is not necessary to label the alternative to capitalism. Better to be deductive, i.e., discuss the necessary elements of alternative to capitalism. Avoid being overly prescriptive about "what is to be done". Encourage more input from participants.

7.1 Neoliberal globalization and monopoly capitalism cannot be fixed

In the capitalist system, the goal of production is to deliver ever-increasing profits and wealth for the few industrial and financial elites that already monopolize the bulk of the means of production. In it, the natural world is only valuable insofar as it can be exploited for the process of wealth accumulation, or in current "green economy" discourse, only valuable insofar as it can be given a monetary price so it can be officially factored into the capitalist accounting process.

Capitalism is predicated on relentless growth, consuming resources and producing waste at ever-larger amounts regardless of ecological carrying capacities. And because it allocates resources to what is profitable rather than to what is socially necessary, it is also inherently irrational and wasteful. Thus, any systemic solution must be in the context of finding alternatives to capitalism and monopoly capitalism.

Capitalism is an inherently expansionary system since its particular form of wealth accumulation, profit-making through mass production of commodities, knows no limits and must by necessity continue expanding in order to just sustain profitability. Capitalist firms must constantly seek to expand production, sales, and market share if they are to survive and succeed in the face of cutthroat competition. Consumption of goods and services must also rise in step with production. In short, capitalism tends to over-produce. In the macro-economy, this expansion is seen as economic growth, measured in gross domestic product (GDP). But at the same time, capitalism constantly attempts to reduce workers' wages as a way to sustain profitability by reducing capital needs.

The crisis of overproduction arises in capitalist society when the decreasing income of the workers disables them from buying what they produce. Expanding the money supply and loosening credit for the consumers and for the capitalists to increase production and speculation may appear to work for a while. But there are limits to the ability of finance capital to offer a quick fix. When profits dwindle and expansion staggers to a stop, the system falls into crisis. The flow of money and credit freezes, factories are idled, and workers are laid off. In such conditions, the topmost capitalist agenda is how to jump-start the stalled economy and resume the normal growth cycle.

Capitalism therefore has a fundamentally contradictory relationship with working masses and the environment, since its expansionary drive entails ever-larger exploitation of natural resources, ever-larger production of waste from industry and agriculture, and ever-larger consumption that also produces waste, that are abnormal or in excess of normal needs of populations and natural resources and carrying capacity of the environment, but which are eventually absorbed by natural cycles. But the environment has limits in its capacity to provide resources and absorb waste, and has critical levels or thresholds that must not be reached or breached to maintain its integrity and proper functioning.

This contradiction is manifested as intertwined environmental problems—pollution, resource exhaustion, ecosystem collapse, and other environmental changes that endanger the long-term sustainability of life in general and the survival of particular species.

Competition, profit motive and overproduction make capitalist production inherently irrational, made possible only by the equally irrational practice of colonialism to source raw materials from other lands which also become markets for excess production and capital. Despite philosophical arguments that say otherwise, human needs are satiable and can be met sustainably within environmental limits.

But capitalist firms produce not to fulfill needs but for profit. It is marketability and profitability that dictate where, when and how their resources are allocated. Thousands of individual enterprises make their own decisions about resource use and production in order to seek temporary market advantage and maximum profitability, with no overall sense of society's needs and how to rationally manage its total resources. Thus, we find resources used in non-productive activities such as financial speculation, or luxury goods and services, while pressing human needs are left unmet.

Moreover, the constant effort by capitalists to stay ahead of competition leads to overproduction. Capitalist firms constantly invest in new, productivity enhancing and labor-saving technologies to produce more goods at less cost. But as the labor content of production shrinks, the system finds itself producing more goods than can be profitably sold in the market. This leads the system to periodic crises of overproduction, which are only temporarily resolved through the idling or destruction of productive capacity in the hope of cooling down the overheated economy.

All told, capitalism is an environmentally wasteful, destructive and inefficient system.

7.2 A united front against monopoly capitalism

In the era of monopoly capitalism, and especially under the period of neoliberal globalization, the external policies of the capitalist countries have brought about more hardships to the people of the colonies and neocolonies. This is what pushes the people of the colonies and semi-colonies to strengthen further their national unity, and to assert their national freedom against foreign exploitation and oppression.

But not everyone in the underdeveloped countries are equally affected by capitalist exploitation and plunder. By exporting capital to the colonies and semi-colonies, monopoly capitalism has enabled capitalism to progress in these places up to a level necessary for monopoly capitalist accumulation. This results in changes in the character of production, and in this manner, the transformation as well of the internal structure of classes in society. On the one hand, more people join the ranks of the dispossessed masses (of workers and peasants)

In order to defeat monopoly capitalism – not just end neoliberalism – the people in the colonies and neocolonies and the workers in the capitalist countries need to unite behind an international movement – an international united front of the people of the world. The people's struggles against capitalist exploitation, plunder and aggression in each country weaken monopoly capitalism in the whole world and inspires struggles in other countries.Image source: Manila Today

who form the social base for the emergence of a proletarian movement in the colonies and semi-colonies. On the other hand, monopoly capitalism divides the homegrown capitalist class into two sections: the comprador-big bourgeoisie that serves as the direct agents of monopoly capital, and the national bourgeoisie that aims to develop a national capitalism that is not kept stunted by monopoly capitalism.

The comprador-big bourgeoisie benefit directly from, and collaborate closely with monopoly capitalists in exploiting and oppressing the people. On the other hand, while the national bourgeoisie opposes the domination of monopoly capital for constraining the full development of national capitalism, they are also connected with, and dependent on monopoly capitalists in so many ways (e.g. access to capital, technology, markets, etc.)

Monopoly capitalism also subjugates the ruling feudal classes and enlists their help in defending capitalist interests and control of the colonies and semi-colonies. Because of this, feudal exploitation and oppression continues to be widespread. In this way, the struggle against feudalism becomes interrelated with the struggle against monopoly capitalism.

Meanwhile, although a thin upper stratum of the middle class still benefits by being part of the upper echelons of the capitalist apparatus in the colonies and neocolonies (e.g. as managers in TNCs and their subsidiaries or as government officials), the vast majority have seen their social conditions continue to be eroded especially under neoliberal globalization.

Given this social structure in underdeveloped countries, there needs to be a united front led by the most exploited and oppressed classes and sections in society to wage the struggle against monopoly capitalism and the local exploitative and oppressive system.

Moreover, in order to defeat monopoly capitalism – not just end neoliberalism – the people in the colonies and neocolonies and the workers in the capitalist countries need to unite behind an international movement – an international united front of the people of the world. The people's struggles against capitalist exploitation, plunder and aggression in each country weaken monopoly capitalism in the whole world and inspires struggles in other countries.

The people's struggles in the colonies and semi-colonies are in the frontline of the global struggle. Being the most exploited and oppressed, the strongest forces for revolutionary change can be found among them.

7.3 Vision of an alternative system

First, there is a need to democratize ownership and control over productive resources. Second, there is a need to democratize decision-making and governance. And third, there is a need to restore ecological balance and protect the environment for future generations. These are all interrelated and inseparable requirements for shifting to a more just, democratic and sustainable system.

Democratic ownership and control over productive resources

At present, the richest 8 billionaires in the world own 50% of all land, physical properties and financial assets in the planet. By virtue of their control over key productive resources, the global elites are able to determine patterns of production and distribution in the world. But the interests of these captains of industry and finance are not the same as the public interest. Indeed, under this system, the production of goods and services is not intended to fulfill basic human necessities and improve human welfare but to generate superprofits for their businesses and to further accumulate capital.

To shift to sustainable human development therefore requires the redistribution of productive resources and "environmental space" within and between countries to ensure that the needs of all, especially the poor and marginalized, are met without breaching ecological limits. The range of property rights regimes must move decisively away from an overwhelming emphasis on private property rights towards more democratic, cooperative, and community-based forms of property ownership and control – with public ownership over the commanding heights and principal means of production in the economy. This will restore people's sovereign control over the resources that they need for collective survival and development.

In agriculture, this means breaking the monopoly control of agribusiness corporations and landlords over land, water, seed, energy sources, and other inputs and productive assets. These must be redistributed to those whose livelihood depend on these resources. The primary beneficiaries of such reforms should be small producers particularly women and other marginalized sectors.

Egalitarian and cooperative land tenure and land use systems should also be promoted to ensure the collective control and ecologically sustainable use of land, water, forest and marine resources by farmers, fishers and local communities. Given secure land tenure, farmers can better take care of the land, conserving biodiversity and protecting the long-term health of soils. Irrigation and other support infrastructure must also be assured.

Food production must be primarily geared towards meeting the needs of local communities. Access to food must be premised on the absolute right to food of every person—food that is nutritious, safe, culturally appropriate, and affordable. The realization of this right must not be contingent on the purchasing power of consumers.

Without the monopoly control of agri-TNCs, it would be easier to depart from a profit-oriented system of global food production and industrial agriculture towards diversified and ecologically-sound agricultural production that prioritizes achieving food security and self-sufficiency, creating rural employment and meeting the demands of domestic industries and households.

Likewise, the grip of giant corporations on the social infrastructure of industry, energy, transportation, trade and the whole economy must be dismantled. The energy sector—from sourcing

Food production must be primarily geared towards meeting the needs of local communities. Access to food must be premised on the absolute right to food of every person—food that is nutritious, safe, culturally appropriate, and affordable. Image source: Pinoy Weekly

to production to distribution—should be based principally on public ownership. This would allow the public to exercise democratic control over the overhauling of existing fossil-fuel based and other largescale energy systems—such as nuclear and hydro power—towards sustainable, renewable, and scaled-down energy systems. Communities can choose from a blend of renewable energy sources such as solar, wind, geothermal, mini-hydro, wave, and biomass; while promoting less consumption and more energy efficiency.

Public ownership will also be the basis for promoting mass transportation systems, such as light and high-speed rail systems. Failing giant car companies should be taken over immediately by the state and the entire transport sector should be regulated to discourage resource-inefficient private motor vehicles. This will help decongest roads, improve health, and of course lower carbon emissions.

The finance sector is another strategic sector that must be placed under public control. This will help stamp out financial speculation and re-subordinate finance to the needs of the people. By socializing banking, financial resources may be redirected towards investments in renewable energy, public transportation, sustainable agriculture, low-carbon industrial production, energy-efficient urban systems and recycling.

At the international level, sustainable human development requires the equitable reallocation of global resources through payment of reparations for past capitalist plunder and inequities in resource use that underlie present economic disparities between nations. Multinational corporations and unaccountable global bureaucracies such as the WTO and international financial institutions should be disempowered.

Neoliberal globalization policies that promote corporate interests and reinforce unjust economic relations between countries should be reversed. This would also reverse the Northward flows of Southern wealth through unfair trade, debt, and investment transactions.

Patents on commercial technologies that prevent the more rapid and widespread restructuring of energy, manufacturing, transport, agricultural and urban systems towards low-carbon systems should be removed. This should go along with the removal of trade rules that prevent the transfer of such low-carbon technologies to developing countries.

Environmental resources, such as the atmosphere, lands, forests, and their carbon-cycling services, should be respected as commons that enable everyone's capacity to live, and therefore may not be abused or appropriated.

Participatory governance

On the basis of public, cooperative, and community-based forms of ownership, participatory and inclusive modes of planning and decision making will help ensure that the economy is geared towards meeting broader social goals such as employment, health, education, food security, and ecological sustainability. This will reorient the economic system away from its current pre-occupation with private accumulation of wealth and wasteful competition.

The locus of decision-making should be devolved to the lowest level of government with the competence to deal with the issues concerned—as close as possible to the people most affected. This encourages citizen participation and discourages bureaucratism.

Participatory social planning can better regulate and allocate the use of resources to avoid unproductive, resource-wasteful, and socially or ecologically harmful activities. Through it the economy can be directed towards achieving self-reliance; prioritizing domestic demand and local consumption over international trade and export markets; increasing public welfare, creating jobs, and sustaining livelihoods while minimizing energy, resource use, and waste in the process.

Enterprises should be rooted in communities. Food production must be decentralized and located as close to local population centers as possible. Doing so would obviate the need to maintain the long chain of fossil-fueled processes (food manufacturing, packaging, and transportation) that stand between the food and end consumers.

Farms and factories should be managed by workers and the communities they serve rather than distant shareholders removed from local conditions. Work should be valued and rewarded accordingly while the workweek may be shortened as warranted by levels of productivity. Without the necessity to accumulate and grow production limitlessly, and with the benefits of production more equally distributed in society, the economy demands less time from workers to spend in the workplace. Paid work hours can be more evenly distributed among the people in order to address unemployment and allow people to spend more time on recreation, culture, discourse, and building relationships.

Social planning at multiple levels can help improve cooperation among enterprises within and between sectors, localities, and regions. This can help reverse urban sprawl and urban congestion by promoting diversification, decentralization and a more even development between regions and between urban and rural areas.

At the international level, new cooperative institutions and arrangements between countries, and regions are also necessary for the responsible stewardship, conservation, and equitable and sustainable use of global and trans-boundary commons and resources such as the atmosphere, oceans, forests, river systems, and so on. These institutions should be based on principles of equity and solidarity among nations.

Restoring ecological balance

With the reality of climate change and ecological crisis now looming in our consciousness, it should be easier to acknowledge that humanity is part of both society and nature, and that the economy is embedded in ecology. This means fostering greater concern and sensitivity to the ecological consequences of human activities rather than regarding nature as an inexhaustible source of materials for human consumption and a bottomless sink for waste.

This can be done by investing more public resources into public education and cultural institutions that reclaim people's aspirations lost to individualism and consumerism, and instill ideals that value community, solidarity, diversity and respect for nature. Modern science should be combined with traditional knowledge and practices of indigenous peoples and other communities to help people achieve greater understanding of the metabolic relationship between social systems and ecological systems.

Science, education, research and development should be re-oriented to remove the bias in knowledge production for commercially profitable proprietary technologies. Open and collaborative research and development of new technologies should be encouraged and supported.

Agricultural production should be weaned away from chemical-intensive, largescale industrial monoculture farming towards ecologically sound, sustainable methods of production which rely on local ecosystems and traditional knowledge as well as appropriate farmer-controlled technologies.

Public institutions must help develop and encourage the adoption of crops and farming methods that are adaptable to site-specific conditions; improve soil and water conservation; increase small-scale farm diversification; safeguard biodiversity; reduce the use of fossil fuels and other inputs; and improve labor productivity. The separation of livestock and crop farming has to be undone. Crops and livestock have to be reintegrated in the farm to help bring organic matter back into soils and restore fertility. Patenting life-forms and genetic resources must be prohibited.

The productivity of industries should be continuously improved not necessarily to increase output but always to reduce inputs of labor, energy and raw materials. The recycling of waste products back into the production cycle should also be promoted. Enterprises and governments should practice full lifecycle cost accounting of goods and services in the economy. This means taking into account all the negative social and environmental costs of production, distribution, consumption, waste and recycling. This should also reflect the costs of maintaining the health and well-being of workers, the community, and the environment.

7.4 Building a movement for system change

System change will not come from above. Those who are benefiting from the current system, enjoying the fruits of social labor and exercising authority over others cannot be expected to willingly give up their privileged positions in society. System change will have to depend on the collective struggle and mobilization of the masses who are exploited, oppressed and excluded under the status quo.

The people's power must be built, consolidated, and strengthened through vast mass organizations of peasants, agricultural workers, women, fisherfolk and urban poor among others. The masses can be organized masses in the barrios, factories, communities, schools or offices along class, sectoral or territorial lines.

For instance, in the countryside associations of peasants, agricultural workers, fisherfolk, pastoralists, among others, can be organized with particular emphasis on organizing landless and small farmers, as well as women peasants.

In the cities and urban centers, workers unions, urban poor associations, youth and student associations, women's associations, cultural organizations, etc. should be organized with particular emphasis on workers organizing.

In the course of organizing mass organizations, there must be systematic education about the concrete problems of the masses; how these are caused or made worse by neoliberal globalization; the responsibility of governments, TNCs and other elite institutions in enforcing these anti-people policies and how all these are rooted in the monopoly capitalist system. Formal education methods must be complemented and reinforced by informal means and methods such as house meetings, group discussions, publications, handbills, posters, comics, plays, songs, poetry, dance, broadcast, video, films and social media. We must also create and utilize spaces within the mainstream

But the tremendous struggle for system change cannot be won by disparate efforts of mass organizations even if they are numerous. They must develop alliances with one another and strengthen each other on the basis of common issues and struggles.
Image source: ternational League of Peoples' Struggle

elite-controlled mass media such as newspapers, magazines, radio and television stations.

In order to be truly relevant, mass organizations must engage in collective mobilization of the masses for definite objectives. This can take the form of collective action to address people's needs such as collective work in the fields; disaster relief; building irrigation systems; electrification; etc. But even more important are collective actions that confront the powers that be who enforce policies and institutions that keep the masses impoverished and oppressed. Examples of such actions and mass struggles are workers' strikes, confrontations of peasant masses against their landlords to lower the land rent, collective protests against abusive employers, officials or institutions.

But the tremendous struggle for system change cannot be won by disparate efforts of mass organizations even if they are numerous. They must develop alliances with one another and strengthen each other on the basis of common issues and struggles. For example, urban poor communities may not be food producing sectors, but the right to safe nutritious food is the bridge which connects all sectors of a society. The right to decent livelihoods can also unify rural and urban communities. It is by identifying rights shared across sectors that inter-sectoral and multi-sectoral alliances are formed.

Such alliance-building would engage sector-based collectives at various levels (rural, urban, village, district, regional, international) to push forward distinct demands based of the masses. Moreover, mass organizations and their alliances should engage in mass campaigns. These are planned, organized and sustained series of mass actions of a broad scope in order to achieve a higher set objectives.

Such campaigns would create space for people-powered democratic decision making and enable local communities to develop alternative programs that give flesh to the people's aspirations for system change.

Moreover, the impacts of global "free market" policies on small producers are very similar across national, regional and international boundaries. There is a critical need to spread and strengthen the struggles, alliances, networks and solidarity amongst all sectors regionally and internationally.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