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## **The bitter fruits of globalisation**

“A race of wolves that has well organized plans for hunting in packs is likely to survive and spread; because those plans enable it to catch its prey, not because they confer a benefit on the world” (Marshall, A. 1927)

“In all societies known to us, in which money is used, this is not a medium of exchange unless it is at the same time a means of oppression. Its real importance does not rest on the fact that it is a medium of exchange, but on the fact that it is an instrument of despotism.” (Tolstoi L. *La Vera Vita. Il Denaro. Come leggere il Vangelo*, Manca Ed., Genova 1991, p. 247)

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### ***The current debate***

Recently we are witnessed to the recurrence of criticism on globalization and its institutions by liberals and conservatives that had subscribed enthusiastically to its promises and its neoliberal policies of free market, free trade, freedom of research. They were also among the most convinced supporters of the process of European integration and the new international governance (WTO, IMF, BA). Among the more famous cases, that of Joseph Stiglitz, American economist, former director of the World Bank in the years in which it administered policies of “debt relief” and “structural adjustments” and, in Italy, Giulio Tremonti, former and now again Minister of the economy of a centre-right government.

On the other side, numerous movements of civil society and the Left persist in an ideological position of plainly criticising the market, which still confuses market and Capitalism, but are conciliatory and apologists of the capitalist market when becoming supporters of a “good globalization”, “from the bottom”, of “rights”, of “human rights”, of the “global village”, etc. Indeed, they adopt its values making itself into the standard-bearer of a criticism toward non-westernized countries, with the prime objective of exporting democracy and human rights to “underdeveloped nations”. The question raised is have I gone mad or is it the liberals, they who have changed their opinion or again the movements of civil society, which see in Bush their most illustrious spokesman?

### ***Free market economic policies: promises unkept***

The roots of dominant liberal thinking in politics and the economy in the West go back to John Stuart Mill (*The Principles of Political Economy*, 1848). From then on, economics textbooks have continued to explain that the demand and supply regulate all the operations of exchange, both in international trade as well as in the home market, creating equilibrium conditions. From here the logical deduction that the market is self-regulating, while government interventions are destined to fail because they lie outside this logic. This idea, whose momentum lies in the paradox of its simplicity with respect to the much more complex reality that it seeks to represent, has taken on an unchallenged theoretical and political authority, with the exception of two “parenthesis”: the Great Depression of the 1930s and two European civil wars (improperly called world wars), considered by economists exceptional and external phenomena to the normal workings of the capitalist market economy instead of one of their products.

It was thus that once the European economies after the wars and the crises were readjusted with instruments certainly not of the market kind, namely with a strong intervention by the State and with the Marshall Plan, that laissez-faire ideology was relaunched in Europe. The economic policies of globalization choose the free market as its own theory. It was Reagan in the United States and Thatcher in England in the 1980s who were to relaunch it in the new guise of neoliberalism. But, as liberalism was the economic theory that served as a front to a period of industrialization and expansion of Capitalism in Europe based largely on protectionism and the State at home and colonialism and imperialism overseas, neoliberalism is the ideology that acts as a front to the real changes of capitalist economy in Europe in the last few decades.

In fact, neoliberalism has a diversionary logic with respect to the truly pursued economic policies: it focuses on the problem of inflation, to be cured by reducing the money supply in circulation; it claims that the reduction of taxes would increase savings and jobs; that less government would attract investment; that free trade would reduce prices to the consumer and lead to an increase in the efficiency of business. Liberal economists are convinced of this and have received the backing of academic authorities such as Milton Friedman and Friedrich von Hayek.

But what is it, then, that has provoked the revolt of numerous liberals and conservatives against these policies that they themselves have invoked and supported? It is the discovery things have worked out differently, and that neoliberalism had very different objectives to those proclaimed. We feel betrayed, as Giulio Tremonti claims, by a “marketism” that is not the market economy intended by the liberals; by a system of international governance managed by the great democracies but in reality, as Joseph Stiglitz writes, in the service of the strategies of the American Treasury and powerful groups that dominate it; by a process of European integration controlled by finance and by technocrats who have expropriated both the markets as well as European citizens from the freedom of choice. The free market has been reduced to the freedom to buy all, also the elections, and any interference is seen as a threat. Market means only the negation of the use of politics for the common interest.

However, the facts speak clearly: liberalisation and privatisation have produced the picture of bankruptcy that finance, transport, energy, climate and so on offer today. The liberalisation of international trade has destabilized economies and cultures as growing emigration demonstrates, creating at the same time benefits and privileges for the major agricultural producers and producers in general; the financial crisis that today everybody talks about, with the growing demands for rescue interventions, has killed the myth of monetarism that attributed to the central and European banks the sole task of taking care of inflation. Lastly, nobody any longer believes in the diminishing of fiscal pressure as a

means to stimulate the creativity of the rich and, even less so, in an economic growth able to bring back jobs and social security to the levels of the recent past.

Up to this point, it seems that agreement on the analysis is possible. But how can we interpret these facts in order to distinguish the causes from the effects? I think that to individuate in this situation phenomena of the welfare crisis and increase in the conditions of precariousness and daily insecurity of the common people is correct. On the contrary, I think that seeing symptoms of crisis of the capitalist system and globalization, making it almost into the reason for worry and intervention in its support, is mistaken. What is happening is the triumph of that very system and those policies, not their crisis. A careful analysis of the main political struggles of recent years - social security, health, inequality, emigration, trade and de-localization, global warming - demonstrate how the applied market solutions are destined to enrich a privileged oligarchy by means of a system of social and economic promotion in the public structures reserved for the supporters of the victorious party (the spoils system, as they say in the United States, with their ability to be synthetic and their longer experience than ours). The political "errors" in Iraq, or in Naples, or in the management of the public and private enterprise, are not due to incompetence. In truth, they appear as failures only because we insist on using the wrong measures of success. In order to realise this we must return to the object that we are dealing with, namely to the changes happening in the workings of the capitalist economies with globalization. Otherwise, we will simply continue wearing the wrong glasses and see a different reality from the real one.

### ***Economic thought on growth, Capitalism and social class***

An aid to a correct analysis of the situation may be found in the reflections of authors who in the course of time have tried to study the changes of Capitalism and the consequences that this produced on economic crises and on the behaviour of groups of power. For Marx (1848), the crises were due to the conflict within the process of accumulation and profit; therefore they were effects of a class conflict that concerned power on the former and distribution on the latter. Another author, Thorstein Veblen, widened the field of observation to the groups of power that, albeit outside the process of accumulation and creation of profit, were in a position to take control of a part of it, expropriating therefore the "producers" (capitalists and workers). The nature of these groups, outside the class conflict of Marx, was characterized with the concept of "predators" (*The Theory of the Leisure Class*, 1899). These social classes were the authorities of the time (kings, princes, warriors, etc) that expropriated the productive classes (workers, businesses, craftsmen and peasants) despoiling them of their assets in order to compete and wage war among themselves.

These classes, of which Marx had only spoken with reference to the pre-capitalist period, indicating their passive "parasitic" function and taking their disappearance for granted, were instead still present and indeed highly "active" at the end of the century as Veblen reminds us. In reality, I would add, as well as the social predator groups individuated by Veblen, there were also the same social classes expressed by Capitalism. Marx and Marxists have ignored the predatory nature that both capitalists as well as workers carried out towards the non-capitalist countries, the famous "third world". To create theories of distribution that explained the division between profit and salary on the basis of productivity and innovation on one hand and the work supplied on the other, even if integrated by the trade-union struggles and bargaining, but forgetting that profit also comprised the division of the "booty" gained from colonial and imperialist enterprise (shared in an inter-class manner), gives a partial interpretation of the truth.

Keynes updated the analysis on “predatory” classes in the 1930s, introducing the concept of *rentier* as a tendency of modern Capitalism. That is of a social group that speculates through finance on economic growth without contributing to it. However, according to Keynes (*The General Theory*, 1936), this was a matter of a transitory phase to be outgrown, thanks to the substitution of the system of *laissez faire* that had made it possible with the New Deal. Unfortunately, this was not so. Some decades after John Kenneth Galbraith (*American Capitalism*, 1952) discovered the existence of “countervailing power”, namely of counter forces able to influence the level of prices towards the top and the bottom, regardless of the market conditions, taking possession of the outcome. This is a tendency that globalization has renewed and generalized with its transnational structures.

It was the same author who updated his analysis in 1969, at the height of the Welfare State, (*The New Industrial State*), showing the inner nature of the “social contract” between the major firms (Big Business), the government (Big Government) and the unions (Big Labour). Contrasting the euphoria of the moment and the dogmatic legitimisation that equipped the construction of the Welfare State, Galbraith claims that the great American corporations accepted and took advantage of the laws and fiscal systems of the government, and these policies were maintained both by Democratic as well as Republican governments. But in both cases, the interest for the common good and the progressive programs for the public control on investments and the broadening of the social guarantees and the public services were forgotten by all.

The unions also proved keener on ensuring more bargaining power and acting in concert with the institutions and the large companies, not forgetting bigger salaries and social benefits for their members, rather than enabling the State to take real control over the public domain for the benefit of the collective and all citizens. In the Marxist field, the greatest contribution to these analyses has come from Paul Baran (*The Political Economy of Growth*, 1973), who individuated the split that was taking place between “capitalist profit” and “social surplus”: the first by now linked to the growing financialisation of economy, to the expense of the environment, and the arms industry, while the second remains dependent on the production of real goods and services. The division between Capitalist growth and social welfare, that was to be completed within a decade, is foreseen and illustrated with considerable thoroughness. This critique manages to anticipate all the successive critical practices on the concept of the GNP until the most recent on recession and, perhaps for this, forgotten by many.

### ***Current political thought***

From then, however, the capitalist economy has continued to be studied according to classic 19<sup>th</sup> century models and this picture has not even changed with globalisation. Two interpretations still predominate, both by now surpassed. The first continues to believe in the market and benign competition able to produce goods for the greatest number of people (a thesis equally shared by the Left and Right in Italy). The other, more radical, passively applies the Marxist scheme of class struggle at a global level (confusing globalisation and *mondialisation*) and envisages therefore “a global class war” of the multitude against the Empire (Jeff Faux, ToniNegri).

These notions have led to interpreting both the highlighting of the social and economic imbalances to the advantage of financial capital as well as the weakening of national governments, within the traditional dynamics of a capitalist process of accumulation thought fundamentally unaltered. The radical changes of Capitalism, produced by its financialisation and technological power, that concern its dynamics and the power structure, thus slip by the wayside. A new mechanism of accumulation by now managed by a tight-knit global financial oligarchy, whose “profits” do not derive from the production

of wealth but from the expropriation of that accumulated by others, and whose objective is global apartheid not the worldwide market. The failure of politics, of the expectations of the liberals and the Left, arise in my view from this mistake.

### ***What is Globalization?***

What, therefore, is the true nature of Capitalism today? If the new system of power that has come about is no longer grounded in the productive classes, but on the predatory activity shrewdly orchestrated by groups of raiders that act also thanks to the complicity given them by the “middle classes” – as in the exemplary case of finance, scientific research and technological innovation, and by the activities of the public institutions – it is obvious that to think of class alliances in the old terms has little sense. Part of the middle classes and the qualified groups of workers do not live on the fringes of a Malthusian economy that is organized as a war machine against the weaker groups and the rest of the world, but they are an integral piece of the puzzle. The owners of Dollars and Euro in the West, comforted by the value of their currency and bonds invested in pension funds and capital, often managed by unions or by “progressive” or “ethically certified” banks, are accomplices of an economic system, no matter the injustices that this produces. The immoral attitude that the finger often points to of “as long as it’s not in my backyard” does not arise from abstract ethical individual or group deficiencies, but has in these phenomena its very own nursing ground. The increase in the gap between those that have and have not has increased, but this renders even stronger the dependency and solidarity of the included with the system in force.

The modern form of Capitalism, Globalization, is not that of benign competition hoped for by the liberals (both right and left), neither is it that of the class struggle of the multitudes against the Empire of capital, or of the utopia of inclusion of the medium classes. As a recently published study illustrates (Galbraith J. K., *The Predator State*, 2008) the predominant nature of Capitalism today is that of a system in which the rich have taken control of a system constructed for the middle classes by putting into effect a dual metamorphosis: predatory Capitalism and the predatory State. “The ‘industrial state’ has been replaced by a predator state, a coalition of relentless opponents of the very idea of a “public interest”, whose purpose is to master the state structure in order to empower a high plutocracy with nothing more than vile and rapacious goals.”(L. Randall Wray, 2008). The quote makes reference here to the United States dominated today by a gang that it has its brains in Dick Cheney and its brawn in George Bush. What renders the predatory class stronger with respect to other well-off social groups is its complete control of the financial system and the State in all the capitalist countries. Also the predators, obviously, have need of allies and for this they grant favours to their customers by attributing orders to firms that procure the essential services for the working of the cities, infrastructure, transport, the necessary arms for their wars, and even the non-profit organizations that promote human rights in Iraq, Afghanistan and around the world. The working of the public institutions, of the national government, of the local administrations follows this logic to distribute gains to private entities. The much hyped co-partnership of the public/private serves in reality to this end: to guarantee consent to a system of power and consensus orchestrated by the “hoods of finance”, which Federico Caffè warned of and put us on guard against a few years ago.

In a predatory system, public goals or the common good obviously do not exist. The predator and the prey exist. The friends and enemies of the former and then the others, the ‘us’, the prey. What is continuously presented as scandalous behaviour, as inefficiency or corruption, is instead the genuine expression of this form of government. The larger the booty, the greater success the system has had, as the numerous cases of privatization, the waste disposal, the banking failures, etc all demonstrate. All very successful

operations of expropriation of the public wealth by financial power groups. This naturally explains the growing frustration also of groups of well-off citizens. Indeed, the predators are also enemies of honest entrepreneurs. If the predators are part of an organized group, it is not only the prey that loses out but also anyone that does not belong to that group. For this reason, predatory regimes are not loved but feared also by those who in some way depend on them.

In the predatory system, as J.K. Galbraith explains in the cited text, the victors compete not by applying the rules of economy but by violating them. For this reason, the system of Globalization is criminal by nature: it generates and rewards criminal behaviour. The phenomenon, make no mistake, is not specific to Italy. Indeed, in this we arrive as usual behind schedule. A recent book by William K. Black, published in the United States, is entitled *The Best Way to Rob a Bank Is to Own One*. This explains much about the financial affairs also in our country and also the motive of interest of our politicians for this business. The theory expressed in the book is that of the “control of fraud”: the manager of an organization uses society as a “weapon” for “fraud”, and also as a “shield” against judicial persecution. The examples of this type are numerous, whether in the United States or in Italy. The greatest financial scandals have always been protected and certified for a long time by high level auditing institutes. The three-card game between financial institution, insurance and auditing is all too well known.

Some may object that these institutions in the end fail in their objectives. They fail because this is foreseen. The predators drain the life from the businesses that they command, continuing as long as possible and covering their tracks by false accounting and extremely complicated large-scale transactions that lead to the prey, to the booty. Bankruptcy of banks and firms happens when the predators have taken the prey and leave the empty husks in the hands of friendly governments and banking authorities. Their task is to set the machine in motion again, leaving the unaware citizens to pick up the bill. It would be more ethical that these bankruptcies not be covered by the State. This would reduce the number of these casinos of fraud and at the same time educate citizens not to participate in the craving for illicit earnings. With regard to the predators, history always has a good ending just like in the movies. The failure of their companies has merely made them richer. Now we find them untouched in positions of public or private responsibility.

### ***The State Predator and Capitalism predator***

But does all this also concern the government and political institutions? The affirmative answer is obvious and even common sense. The conflict of interests that is often spoken of as an Italian problem, Galbraith informs us, has its masters in the United States. The errors of the government are not due to incompetence, but to the fact that the competences that politicians take on are other ones. The predators are in government or have friends in the political system. The effects are obviously devastating for populations and the serious problems of the planet. But who can bring the predators to account? At the high levels of power one cannot entrust this to the judicial system thanks to its discretionary power of appraisal and pardon. In a world of predators all the existing powers are accomplices, writes Galbraith speaking of the United States, but not only. The problem is not legislative or judicial; it is either political or it is irresolvable.

This system in Italy has penetrated the economy with its by now infected financialisation and it controls the central state down to the regions and municipalities. The mechanism is simple to explain. Up to a certain point in the history of Italy, I'm speaking of the immediate post-war period, the political institutions, both national and local, drew their legitimacy and eligibility from the ability to represent the interests of their citizens and their communities and, above all, to support the common good and local productive systems. The

modernization of the post-war period transformed the political and local productive framework, first with the Southern Italy Development Fund (*Cassa del Mezzogiorno*) and then with the European systems of funding. The productive systems are now dead, the communities now emptied out by migrations. What is left for the institutions is to manage an enormous flow of money, from the State and the European Union. Flows that for the objectives and schedules that are envisaged, do not have the entrepreneurial systems and communities able to absorb them downstream. For this reason, political power has been grasped by jurists, political wheeler-dealers and graduates in general, that emboldened by the legitimisation given them by their role as distributors of funds, have used them in order to reinforce electoral consent and for their own affairs. In absence of local productive systems, the only “company” in a position to manage huge sums for services and infrastructures, and at the same time guarantee the votes needed for the politicians in the institutions, is the criminal economy. This has led to that perverse interweaving between politics, institutions and criminal economy.

A recent doctorate thesis of the University of the Calabria (Greco O., *Eventi storici e società civile nella Calabria del secondo dopoguerra. Comportamenti culturali e forme identitarie nelle trasformazioni della modernità*, 2008) analyzes this process well:

“The season of special interventions and the transfer of resources has coincided, perhaps not by chance, with a deep transformation of the Calabrian mafia phenomenon. Up until the 1950s, the ‘ndrangheta families enforced ‘reputation and respect’, in specific areas of the region, through inter-family feuds, embezzlement and threats shrouded by specious ‘traditional values’, but these were not decisive for the overall economy of the region. In time, the same families understood that wealth, which in the traditional Mafia might be the outcome of the capacity to gain respect, “becomes the basis of reputation and its possession is obligatory for the acquisition of any position of respect”. This leads to a direct interest towards the flow of wealth reaching Calabria through the special interventions. The ‘ndrangheta takes part in the tenders, in the management of public works, in community integrations for agricultural production, in the management of the public services. It conditions politics and colludes with it, it expands until taking on the modern-day characteristics of a powerful criminal enterprise. It acts at an international level in drugs and arms dealing, in which the original features linked to the geo-cultural origins become only the symbolic container of an organization that moves at a global level with modalities that go beyond any cultural belonging.”

### ***The Gordian Knot***

At this point, in order to conclude, some questions cannot be avoided. Can the political system reform itself? How can a system of balanced power, complete with suitable controls and oriented toward the common good be recreated? How to resume control of the predatory economy and re-establish conditions of normal activity, both for the necessary social actions as well as the honest private activities of citizens? The urgency for fitting answers is manifest given that until they are found and applied, the predators will continue their savage incursions. I believe that the problems should be tackled by using the method proposed recently by an authoritative Polish observer (Antoni Kuklinsky) who advises to individuate some nodal points - the Gordian knots - and apply Alexander’s solution to them.

It is not difficult to grasp from what has been said up to now that the Gordian Knot to be undone is that of the power of the predators that uses finance as a lethal weapon against communities and their economy. The financial system, set out as intermediary and facilitator of exchanges between the system of production and the State, has ended up by

subverting both, assuming *in primis* the government of societies. The market economy has transformed itself into an *économie casino*, a 'hazard economy'. The new centres of the global economy are no longer big enterprise or industrial centres but rather the stock exchanges, the tax and banking havens, the countries that "compete" by offering concessions to financial and industrial speculation. The freeing of markets has transformed these non-places into "health centres" for capital, whatever its origin. It is in these exclusive clubs that international finance is reassembled with the separate branches of the family that have chosen the way of weapons, drugs, prostitution, organ trading, in a word the way of "organized crime". It is in these "health centres" that the miracle of healing takes place, transforming illegality into normality. The "globalization of crime" becomes the "crime of globalization" that makes headway by erecting and preaching a new international law and its own international courts in order to maintain its status quo." (Amoroso B. "Le vie del...denaro", *Interculture*, n. 4, Città Aperta, Troina, 2004; and "Globalizzazione e criminalità", in *I crimini della globalizzazione*, edited by M.A.Pirrone and S. Vaccaio, Asterios Editore, Trieste).

As attested by a study of great, though equally unrecognised, importance:

"The world of 1998 no longer resembles that of 1978. The United Kingdom construes a quarter of its wealth with activity of the City. Shares traded in the Paris stock exchange represented 20% of the state budget in 1975 compared to 120% fifteen years later. Speculative finance has effectively become the engine of the global economy. Little more than 1% of currencies exchanged daily in the world is used for traditional commerce, namely for the exchange of goods and services"( Aa. Vv. *Un monde sans loi. The criminalité financière en images*, op. cit., p. 40).

### ***The Alexander Solution***

And so, what is to be done? The Alexander Solution must be to disarm finance, re-transforming all the kinds of financial transactions into relationships based on the real exchanges of services and goods. To drain therefore the financial flows, towards the regions from the regions, towards the State and from the State, towards the Municipalities and from the Municipalities, thereby suffocating the life conditions of "illegal" activities and bringing back the economy onto the paths of the production of necessary goods and services for community life.

This is possible, in my view, only by starting off from the bottom, from the daily life of people, from the families and communities that are the first level of expropriation enacted by the banking and financial systems. There should be two paths to take. Eliminate the causes that make resorting to money and the banking and financial systems necessary in people's everyday lives. Money has been made necessary by someone establishing that it is the only instrument enabling access to something with a price. In our everyday life, these things are the house, water, schooling, health, infrastructure, transport and so on. Well, declare these things "common assets" of the communities, with joint forms of financing and entrust their management and care to the users. We can transform a large part of these services into movements of real goods and services. We can avoid then that a flow of finance, equal almost to half of the wealth produced, leaves the pockets of citizens for the State, to then return through obstructions and institutional and private channels of various levels that direct the majority towards predator groups.

The second level of money usage is linked to the phenomenon of consumerism, of which a part is the useful and preferred consumption by citizens, and another part the addition of "drugged" products, imposed by "lifestyles" created by disinformation, advertising and unethical forms of social living. It is at this level that the notorious goods-money relationship is formed, which leads to a degeneration of both. Well, we rule out advertising,



replacing it with critical information on products. We re-evaluate the relationship “culture-nature-cultivation” (namely culture, environment and productive system), the local commerce and the choice of local produce, making instead products of import or technological creation a burden, which is the opposite of what happens today. This means giving back the real dimension of market to trade, developing and protecting the local network of sale and distribution.

It is in this framework that currency can then return to its true function as mediator of exchanges between income and goods, as an advance on private and social investments. For this reason, beside the persistence of a national currency, the value of local currency, of forms of credit-payment based on the determination to sustain the local community life, the small distribution etc is to be rediscovered. The popular credit banks and the savings and loan companies, strangled at the beginning of the process of globalization by the financial predators, arose and grew precisely to collect local savings and in support of economies. The creation of the domestic market, the national currency and the national banks first, then the European market, the European currency and the European banks today, have been used to expropriate the savings of citizens of the various regions to fund projects and development plans elsewhere, projects that have proved disastrous both for local communities as well as the country as a whole.

A healthy basis of forms of local credit, decentred and managed in forms of cooperation or strong participation, can constitute the grounds for national credit institutions that operate as common funds of solidarity for the creation of common infrastructure, in order to guarantee the common goods to all citizens and members of the communities. But these processes of gradual widening of community bases can only happen if the democratic criterion of one vote one person, is replaced by the participatory system of the right of veto by the part of the communities towards unshared decisions. Once the finance has been drained off, the predatory power groups of our communities and economies asphyxiated in such a way, then also their representatives in our central and local institutions will fade away. It will finally be possible to breathe life into a new political class, to institutions able to once again set the public interest and the common good at the heart of our real worries and objectives.

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