

It's About Power...

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THE MELTDOWN OF THE INTERNATIONAL FINANCIAL SYSTEM AND ITS CONSEQUENCES FOR THE ECONOMY PUTS HUNDREDS OF THOUSANDS OF WORKERS, MANY OF THEM IUF MEMBERS, IN A DIRE SITUATION. IT'S VERY HARD TO TALK OF OPPORTUNITIES, BUT ONE THING IS FOR SURE – THIS SYSTEM CANNOT GO ON OPERATING AS IT HAS UNTIL NOW.

Deregulation of markets is being criticised more strongly than it has for decades, and the free market has been completely discredited as the model for the operation of the global economy.

We have an opportunity to change the neoliberal system. There is widespread support for the notion that politics must reassert its role as the motor that drives the economy. So when we talk of opportunities we're referring to political opportunities, with the objective that the international institutions which have hitherto provided cover for unfettered capitalism must now be updated and reshaped to focus on regulating capital, instead of deregulating the economy.

But we have some way to go. What we have seen so far are national efforts in different countries around the world aimed at imposing a political control over the free market. Many governments are intervening directly to take control of the banking system, but many of them are unwilling to actually exercise the power they have. The British government, for example, like many others, has intervened in the banking system, but instead of giving clear directions, it limits itself to suggesting or requesting that certain actions be taken.

For all the talk in political circles of "a new global financial architecture" the first meeting of world leaders to confront the financial crisis in Washington in November 2008 produced meager results.

Despite the injection of trillions of dollars of public money into national banking systems the financial carnage continues and is now ravaging

manufacturing and services. While jobs around the world are being destroyed by the hour, massive new financial bets are being placed on corporate debt and share values as investors seek to cash in on the damage.

The summit's vague and lackadaisical timetable for change revealed a political community uncertain and unfocused, unlike the precise and challenging demands of the financial sector. The Institute of International Finance, the financial sector's global lobby organisation, set out its demands in a letter on the eve of the summit signed by IIF Chairman (and Deutsche Bank head) Joseph Ackermann and four other high-ranking bankers. It signalled two key demands: first, the creation of a Global Financial Regulatory Coordinating Council to direct the international financial system, and, second, the expansion of the club of exclusive nations from G8 to G20.

In the blueprint for the new Council the IIF seeks to strengthen the role of the International Monetary Fund, despite its destructive role in previous crises. The Council would serve as an umbrella group for private banks and the multilateral lending institutions and be linked to "colleges of supervisors" watching over (in the words of the letter) "the top 30-40 global financial services institutions".

The IIF sees the expansion of the G8 to G20 and greater representation rights for what they call "several systemically important development countries" within the IMF and other multilateral organisations as the basis

for expansion and further integration of the global financial services sector.

The leaders of the financial sector, unabashed at the folly of their previous actions, have a clear timetable. They said: "As financial institutions and markets are being restored to normal functioning, well-defined exit strategies need to be formulated and implemented. Emergency action should not provide the basis for a permanently larger role for the public in the international financial system: this would risk setting back the prospects for renewed sustained growth of output and jobs by introducing widespread inefficiencies into global markets."

The message is clear: in times of crisis, governments should bail out the financial sector and then quickly retreat to their traditionally more limited role of underpinning the expansion of private finance by guaranteeing public debt.

Does the dismal performance of governments reflect merely a failure of will and imagination on their part? Is it realistic to imagine that alternatives to neo-liberal orthodoxy will emerge spontaneously from a Group of 8 enlarged to 20, 30 or more central banks when the only shared commitment of their national financial lobbies is to protect the value of their dollar reserves?

Expanding the participation of (selected) developing countries in global summit exercises meets demands for greater representation but leaves untouched the social relations and balance of forces which are at the root of the system and its present crisis.

A new financial architecture won't be built by simply adding on rooms. A new foundation is needed, and we won't get it by "lobbying" the IMF or periodic conclaves of governments.

We need an intervention but it must be less timid and on a global scale. The international institutions, the World Bank and the International Monetary Fund, set up 60 years ago,



must begin to act as the market's regulators – in doing so they may provide the basis for the creation of a sustainable global economy, something we are sorely lacking at present.

These international bodies, called the Bretton Woods institutions after the place where they were called into being, were created in a world very different from the one we inhabit today.

Working people yearn for new, more democratic institutions to manage global trade and economic affairs. They see the spread of poverty and destitution throughout the world as a much bigger problem for the security of the planet than those matters which occupy the agenda of the United Nations Security Council, which is committed to keeping the peace.

But ceasefires and peace treaties are not enough to build a just and free society. Perhaps we could invest real power – similar to that enjoyed by the Security Council – in the United Nations Department of Economic and Social Affairs (ECOSOC).

This body given the mandate and authority and political capacity to impose a sustainable economy, could make a profound difference to creating peaceful, prosperous and socially just societies. The scourge of poverty and the scandal of social inequality are deep-rooted problems that must be addressed if we are serious about creating a lasting peace.

Requests for more demand stimulation, more fairness and more respect for workers rights are no more likely to be heeded now than they have been in the past. The entire experience of the past two decades – years in which labour's historic gains have been rolled back on virtually every front – demonstrates otherwise.

The labour movement, nationally and globally, faces a crisis of enormous depth and scale. Institutions like the IMF which have traditionally served as the instruments for resolving more limited crises currently lack the resources to tackle it. And governments do not currently face the massive social and political pressure which would push them to address the crisis in ways which could reverse decades of social and environmental destruction and strengthen labour's capacity to mobilise.

In this situation, all questions should be regarded as open – and an opportunity for unions to intervene in new ways through new alliances. If governments are unable to act it is not enough to fall back on the programme and strategies of the IIF and the people who got us into this mess in the first place.

For its part the IUF in encouraging a new approach has two tasks before it. The first is to work with our members to protect them as best as we can against the effects of economic downturn and the financial collapse.

We reject the illusion that is sometimes created by talk of a “financial economy” and a “real economy.” There's only one economy. It is only the manipulation of corporations and companies that has made it possible to separate financial matters from real economy matters.

In the single global economy we must join together to protect ourselves, particularly against transnational corporations that are under strain because of the crisis, but which try to take advantage of the fear spread by the crisis to impose changes in employment and union rights they've been wanting to make for a long time.

Our second task will be to join others in the global union movement and broader civil society in calling for changes in the way the economy is regulated. We must move quickly, because this clamoring for change may not last long.

There are still those who believe that the system is “fundamentally sound.” It's not, but given the chance, and with billions of public money to support them, they will seek to rebuild their credibility and structures without any change at all in the foundations which provided free trade and the free market fundamentalists with unconstrained influence over the past 30 years. Instead, we must ensure that politics is at work where it's supposed to be – at the controls of and steering the global economy.