

The Global Economy: Crisis or Opportunity?

Response to Jeremy Wakeford, Open Dialogue on the Global Economy,
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Jeremy Wakeford argues that the current state of the global economy is not only a problem to be fixed but also an opportunity to restructure it fundamentally. This is an important argument to make at a time when so much of the discussion around the crisis takes the form of asking: How long will it last? When will the downturn hit the bottom, and turn around? Above all, the question that hovers everywhere, spoken or unspoken: When will things get back to normal? Each time George Soros or Noriel Roubini tell us that we've not yet seen the worse the implication is that what we had before the crisis began was unquestionably good.

Apart from tendentious questions, much of the public discourse consists of bad, and quite probably dishonest, answers. In March 2008, it was said that the problem had been solved with Citibank's buyout of Bear Stearns. Since October 2008, there has been no such confidence. First the experts wondered whether the upturn would come in 2009 or only in 2010. In 2009, they are wondering whether it will be 2010 or 2011. Most of these predictions are ways of telling us that we need only hold on a bit longer, and should not ask too many questions about what caused the crisis, whether it can be fixed, or is worth fixing.

Contrary to the public discourse, the scandal is not that stock markets have lost 50% of their value, but that we ever measured value by stock prices. The scandal is not that the financial products unit of AIG should be getting \$165 million of bonuses, paid for by the US taxpayer, after their financial products did so much to create the crisis and the economic hardship it will bring. The scandal is also that we accept the idea that energetic and intelligent people have no reason to take pride in the work they do unless they can also get a million-dollar bonus.

In this context, we should be grateful to Jeremy for reminding us that the crisis is a sign of an economy organized around wrong and destructive priorities, and that instead of asking how we can get back to normal, we should be thinking how to develop an entirely new definition of normal. I don't intend to contradict Jeremy's main argument. However, I want to expand it in two directions. I want to argue:

1. That the economy is going to be remade anyway as a result of the crisis, along with our politics and society. The question is whether it is remade according to the agenda of a tiny minority of obscenely wealthy people or according to the needs of justice and sustainability.
2. That the crisis of the global economy is the result of a process of neoliberal capitalism remaking not only our economy, but also our political and moral life, over the past 25 or 30 years, and that process will either be decisively reversed or pushed through to harsher conclusions than we currently imagine.

Put differently, I want to say that there is no going "back to normal" any longer. There is no more "normal" to go back to. Too many supposedly deep truths have been exposed as shallow lies, and too many people are being made and will be made to suffer the consequences of the sham, for them simply to believe them again.

Listening to the experts either warning us or reassuring us the economic crisis recently has often reminded me of the South Africa in the months, and perhaps even

the year or two, after the Soweto protests and shootings of 16 June 1976. At the time of the Soweto uprising, I was an honours student in the now-defunct Department of Political Philosophy at Stellenbosch. For some reason, I also had office space in the building shared by the two philosophy departments of that time (the sacred and the profane, you could say) and had tea each day with the academics in those departments and their visitors—some of them prominent *verligte* Nationalists, close to NP cabinet ministers of that time. In the following years I lectured in Political Philosophy and continued to be part of the tearoom discussions.

16 June 1976 changed South Africa. Everyone knew it had been changed. But the reality took time to sink in, and was interpreted in different ways. The refrain of the *verligte* Nationalists was that students should stop protesting so that the NP could speed up the reforms that were needed to improve the lives of black South Africans. They made it sound as if the NP government and not the townships were the victims of injustice, complaining in effect that those protesting against apartheid were responsible for perpetuating it by forcing the government to continue shooting protestors in the streets, breaking up marches and funerals, detaining leaders, banning organizations and the like, and thus preventing the government from getting back to what it really wanted to do: building new schools and houses, providing electricity, removing apartheid laws. If only the nation-wide uprising could be halted, they thought, we could get back to normal.

This “back to normal” paradigm was not limited to *verligte* Afrikaners. In the mid-1980s, the *Financial Mail* was expressing its support for PW Botha’s states of emergency, but on condition that the restoration of order be followed by reforms. Housing protests are crushed today in Kennedy Road in Durban and at the N2 Gateway project in Cape Town with the same belief that one more round of repression will lay the foundation for reform. In fact, it usually leads to more repression.

But it was clear that white rule in South Africa would never be able to pass itself off as normal again. White rule would either have to be imposed by mounting and ever more brutal repression, aimed at ever wider parts of South African society, including whites, and the stifling of political life, including white politics, or it would have to be abandoned. The negotiated settlement was made possible by PW Botha’s crushing of the mass mobilization of the 1980s. Botha’s repression and the negotiated settlement were necessary in order to make the continuation of capitalism “normal”.

In a sense we are now living through a global version of what South Africa lived through in 1976-77. You don’t need to be an economist to see the absurdity of trying to put together the house of cards that has collapsed; perhaps you have to be an economist in order to think it is worth doing. Every day there are new details of the current bailout attempted in the United States reveal how it flies in the face of common sense: Citibank has received \$75 billion in taxpayers’ money; about ten days ago it was worth only \$5.4 billion; AIG has received \$180 billion (soon to be increased to \$200 billion) and is worth less than \$1 billion. And behind Citibank and AIG and other financial corporations is the shadow banking system of hedge funds, private equity funds and the like. Before the meltdown, global GDP—that is, the value of the world’s actual goods and services—was estimated at about \$54 trillion. The face value of fictitious capital—of the collateralized debt obligations and credit default swaps and other forms of derivatives—could be as much as ten times that amount. You need to be blinded by the ideology of the market in order to believe that this money would be well spent.

In South Africa after Soweto, the process may have been more visible. Protestors in the streets were visible, and made good television, in a way that people losing their jobs, having their homes foreclosed and pensions made worthless is not. Apartheid was in conflict with what had become the global norm of racial equality, at least at the level of formal rights, after decolonization and the Civil Rights Movement

in the 1960s. It's not as clear that there is an alternative to capitalism. Despite these differences, there is something similar happening now: our global 16 June 1976.

It is not only that the scale of the economic crisis will grow. The hollowness of capitalist ideology will become ever more apparent. In fact, this hollowness is already more clearly apparent to the avowed and self-conscious ideologues of capitalism than it is, for example, to those who defend capitalism in the guise of national-democratic revolution and the like. The most scathing indictments of contemporary capitalism can now be read on the website of the *New York Times*—hardly an organ of revolutionary propaganda.

Thomas Friedman, the apostle of globalization, who never saw a sweatshop he didn't like (that wasn't leading to a higher stage of human freedom), commented on Bernie Madoff's pyramid scheme, after it was discovered in December 2008: "I have no sympathy with Madoff. But the fact is, his alleged Ponzi scheme was only slightly more outrageous than the legal scheme that Wall Street was running, fuelled by cheap credit, low standards and high greed. What do you call giving a worker who makes only \$14,000 a year a nothing-down and nothing-to-pay-for-two years mortgage to buy a \$750,000 home, and then bundling that mortgage with 100 others into bonds—which Moody's or Standard & Poors rate AAA—and then selling them to banks and pension funds the world over? That is what our financial industry was doing. If that's not a pyramid scheme, what is?"

Friedman continues: "Far from being built on best practices, this legal Ponzi scheme was built on the mortgage brokers, bond bundlers, ratings agencies, bond sellers and home owners all working on the I.B.G. principle: 'I'll be gone' when the payments come due or the mortgage has to be renegotiated" (*NY Times*, 17/12/2008). Madoff has now pleaded guilty and is expected to be sentenced to jail for 150 years. Those who practised the legal version of his pyramid scheme are getting billions of dollars of taxpayers' money.

The growth of the financial industries over the past 30 or 40 years has been little more than a legal pyramid scheme, describing as wealth creation what is little more than the inflation of asset prices—above all, real estate. The looming ecological catastrophe is based on a similar irresponsibility to all except corporate profit, a kind of bet that by the time the planet has been rendered unliveable "I'll be gone". Those promoting global agribusiness, and in the process destroying agricultural production and food security in poorer countries, will have made their profits by the time oil becomes too expensive to transport food half-way around the world. Education, healthcare, transport and the like are subordinated to the needs of corporate profit, with little regard for their true ends. Democracy is debased as governments are held hostage by global capital flows and political parties are made increasingly dependent on corporate donors and the media conglomerates. If Bernie Madoff provides a metaphor for our times, it is because neoliberal capitalism has turned so much of the world into a legal pyramid scheme.

In the process, we lose sight of the ways in which neoliberal capitalism is already an alternative to the political and moral traditions that inform most of human history. From the beginnings of human civilization, there have been powerful currents in human thought warning against the idea that wealth is the measure of human value. The neoliberal capitalism of the past few decades has been an attempt to put in place a global order in which all values of human solidarity and co-operation are stripped away and each of us is made dependent on our marketable skills and the price that the market will pay for them today. In order to recover from its present crisis, it will continue on this path. It will continue to strip away the gains of the last half-century—liberation from colonial rule in the Third World; secure employment and increased living standards in the advanced capitalist countries—and in order to

do so it will have to debase and subordinate the moral traditions that have developed in societies around the world over thousands of years. In this sense, too, there is no going back to normal.

To return to my analogy with the Soweto uprising of 1976: PW Botha proclaiming a state of emergency in order to make South Africa safe for reform is not that different from Barack Obama bailing out the banks with a promise that, once the financial system is stable again, global capitalism will be properly regulated. There was always one more round of repression needed, but no-one ever knew what reforms Botha had in mind. For Obama, there will always be one more bailout, and we still do not know how Obama proposes to regulate financial capitalism.

Botha found endless ways of avoiding the one basic step that was needed: to give equal rights to all South Africans in a single country. In the same way, Obama and his colleagues in government around the world will avoid the one basic step that could deal with this crisis: to make money into a medium of exchange, administered on behalf of society as a whole, rather than a commodity from which a handful of bankers and investors can grow wealthy. The tragedy is that there is no movement in the streets demanding that this step be taken.