The twin debacles of globalization

Stage For Counteroffensive Against Globalization

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It is said that in politics and in war, fortune smiles all too briefly. After allowing it to briefly savor the success of its Afghanistan campaign, history, cunning and inscrutable as usual, has suddenly dealt the Bush administration two massive body blows: the Enron implosion and the Argentine collapse. These towering twin disasters threaten to push the global elite back to the crisis of legitimacy that was shaking its hegemony globally prior to September 11.

Enron and the Corporate Con Game

Enron forcefully reminds us that free market rhetoric is a corporate con game. Neoliberalism loves to couch itself in the language of efficiency and the ethics of the greatest good for the greatest number, but it is really about promoting corporate power. Enron lavishly extolled the so-called merits of the market to explain its success, but in fact, its path to becoming the US’s seventh largest corporation was paved not by following the discipline imposed by the market but by strategically deploying cold cash, and lots of it. Enron literally bought its way to the top, throwing around hundreds of millions of dollars in less than a decade to create what one businessman described to the *New York Times* as the "black hole" of deregulated energy markets in which its financial shenanigans could thrive unchecked. To make sure government would look the other way and allow the "market" to have its way, Enron was generous with those willing to serve it, and few earned more Enron dollars than George W. Bush, who received some $623,000 for his political campaigns in both Texas and nationally from his friend Kenneth Lay, Enron CEO.

The deep enmeshing of Bush and a number of his key lieutenants -- Vice President Dick Cheney, Attorney General John Ashcroft, US Trade Representative Robert Zoellick, top presidential economic adviser Larry Lindsey, to name just the most prominent -- in Enron’s corporate web has shaken off George W’s post-September 11 image of being President of all Americans and brought back the reality of his being the chief executive officer of corporate America. The Enron scandal pulls Americans right back to the bitter sozialepolitik of the nineties when, as Bush himself put it in his inaugural speech, "it seems we share a continent but not a country." It brings back the ideological context of the landmark electoral campaign of 2000 when Bush’s fellow Republican, John McCain, made an almost successful bid to become the presidential standard-bearer by focusing on one issue: that the massive corporate financing of elections that had transformed US democracy into a plutocracy was gravely undermining its legitimacy.

Globalization and Corruption

Corporate-driven globalization, we have always held, is a process that is marked by massive corruption and one that is deeply subversive of democracy. Shell in Nigeria was a good case study. Scores of TNCs and the World Bank were implicated with the Suharto political economy in Indonesia. Now Enron strips the veil from what Wall Street used to call the "New Economy," which showered rewards on sleazy financial operators like Enron while sticking the rest of the world with the costs, not least of which is what is shaping up to be the worst global downturn since the 1930s.

Which is why we have always told World Bank types who want to lecture us on good governance that they should first tell Washington to get its house in order. Corporate corruption is central to the US political system, and the fact that it is legal and assumes the form of "campaign finance" funneled to politicians by "political action committees" does not somehow make it less immoral than "crony capitalism" of the Asian variety. Indeed, corruption of the Washington variety is much more damaging because momentous decisions purchased with massive cash outlays have not only national but global consequences. Corrupt Third World politicians ought to be hung, drawn, and quartered, but let’s face it, the amounts of cash and the quotient of power they deal in are peanuts compared to the scale of influence peddling in Washington.

Argentina and the Folly of Liberalization

If Enron illustrates the folly of deregulation cum corruption, Argentina exemplifies that of another facet of the corporate globalist project: the liberalization of trade and capital flows. $140 billion in debt to international institutions, its industry in chaos, and an estimated 2000 people daily falling below the poverty line, Argentina is in a truly pitiable state.

Argentina brought down its trade barriers faster than most other countries in Latin America. It liberalized its capital account more radically. And in the most touching gesture of neoliberal faith, the Argentine government voluntarily gave up any meaningful control over the domestic impact of a volatile global economy by adopting a currency board, that is, pegging the peso to the dollar. Dollarization, some technocrats promised, was right around the corner and, when that happened, the last buffers between the local economy and the global market would disappear and the nation would enter the nirvana of permanent prosperity.

The Summer’s Doctrine

All of these measures were taken either at the urging or with the approval of the US Treasury Department and its surrogate, the International Monetary Fund. In fact, in the wake of the Asian financial crisis, when capital account liberalization was increasingly seen by most observers as the villain of the piece, Larry Summers, then Secretary of the Treasury, extolled Argentina’s selling off of its banking sector as a model for the developing world: "Today, fully 50 per cent of the banking sector, 70 per cent of private banks, in Argentina are foreign-controlled, up from 30 per cent in 1994. The result is a deeper, more efficient market, and external investors with a greater stake in staying put."

The Argentine technocrats seemed determined to outdo their Chilean rivals in their obeisance to the market -- interestingly enough, just as the Chileans were beginning to question its efficacy in the volatile area of capital flows.

As the dollar rose in value in the mid-1990s, so did the peso, making Argentine goods uncompetitive both globally and locally. Raising tariff barriers against imports flooding in was regarded as a no-no. Instead, borrowing heavily to fund the dangerously widening trade gap, Argentina spiraled into debt and the more it borrowed, the higher the interest rates rose as creditors grew increasingly alarmed at the consequences of the unbridled market freedom they had benefited from initially.

Contrary to Summer’s doctrine, foreign control of the banking system was no help. In fact, foreign control simply facilitated the outflow of much needed capital by banks that became increasingly reluctant to lend to both government and local businesses. With no credit, small and medium enterprises, and not a few big ones, closed down, throwing thousands out of work.

Wrong Prescription, Again

Cap in hand, Argentina went to its mentor, the IMF, for a multi-billion dollar loan to meet payments on the $140 billion external debt coming due. The Fund refused unless the government made cuts in public expenditures and imposed a tight money policy. As Joe Stiglitz has noted, this was precisely the mistake the IMF made in Asia in the wake of the financial crisis: instead of reflating the economy, the IMF imposed an inflation-fighting program that accelerates the contraction of the economy. It seems that the Fund is institutionally -- and intentionally -- incapable of learning from its mistakes, and Argentina is one more reason why it should be abolished.

Reginald Dale, the doctrinaire free-market columnist at the *International Herald Tribune* worries that the Argentine debacle may have negative consequences beyond Argentina, chief of which are the erosion of the legitimacy of the globalization project and a resurgence of populism, making it impossible for the Bush administration to bring to a successful conclusion Washington’s projected Free Trade Area for the Americas (FTAA).

It is up to the movement against corporate-driven globalization to prove Dale and the Wall Street-Washington-Houston mafia right, and not only in Latin America. The debacles of Enron and Argentina are so clear in their causes and so easily explained to ordinary people throughout the world that they provide the perfect handle with which the movement can regain globally the momentum it lost on September 11. As they say in Texanese, "let’s git ’em buzzards."

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