

Focus-on-Trade is a regular electronic bulletin providing updates and analysis of trends in regional and world trade and finance, with an emphasis on analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues. Your contributions and comments are welcome.

Focus on Trade

Number 74, January 2002

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Last year's World Social Forum was dubbed the "attack on planet Davos" by Financial Times journalist John Lloyd. This seemed like a good description of the ideological and moral energy that launched the counter-offensive to the dominance of the World Economic Forum. One year later, the word "attack" has taken on a whole new meaning, indelibly defined by a series of violent attacks which have each, in their different ways, captured the great ideological struggles of the moment.

The attack on the World Trade Centre is the most vivid: astonishing, shocking and immeasurable in its impact, releasing a thousand genies from their bottles, never to be put back: the war on terrorism, the clash of civilisations, the demonisation of Islam, the American loss of innocence manipulated into fear and nationalism. The world will never be the same.

While the attack that followed, the US bombing of Afghanistan (and with still no sign of bin Laden) is a potent reminder of cold, bloody military power and that militarisation will always be the "steel fist of the invisible hand."

In Genoa, the police shot and killed a young protestor and, with pre-meditated precision, bludgeoned more than 60 people sleeping in a school. We were horrified at the violence of the "civilised" Italian state and at the silent sanction of the G8.

In spite of - or perhaps because of - this, tens of thousands of activists from all over the world will come to Porto Alegre again this January for the second World Social Forum: it seems that the more violent and oppressive the world becomes, the more people are willing to speak out and act, to resist and renounce the system.

And again this year, a small club of capitalists will gather in New York for the World Economic Forum - either banished from the Swiss resort of Davos or showing

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Focus on the Global South is an autonomous programme of policy research and action of the Chulalongkorn University Social Research Institute (CUSRI) based in Bangkok.

solidarity with Bush and his corporate cronies and they will be welcomed by protests and pickets in the first major anti-globalisation mobilisation in the US since September 11.

In this issue of Focus on Trade, Barbara Garson - a New York journalist, writer and sometime investor - explains why she'll be picketing the WEF on 5 February. Coincidentally, her book "Money makes the world go around" is also coming out that day. In this issue, Nicola Bullard reviews the book and maybe Barbara will sign copies on the picket line.

Also, in this issue Walden Bello writes that the "twin debacles" of Enron and Argentina have brought back with vengeance the crisis of legitimacy of the global elite and the corporations. Writing about the political and financial upheavals in Argentina, Focus' Spanish editor Gerard Coffey suggests that the US' main concern is political rather than financial contagion while Jeremy Brecher, Brendan Smith, Tim Costello and Dennis Brutus argue that the time is ripe to push for a debtor's cartel. Finally, Nicola Bullard looks at how the G8 is shaping up after Genoa, arguing that the events of September 11 have awakened a touching (but self-interested) concern about poverty and inequality but warns that all proposals for a "New Global Deal" and other such sales tricks should be checked against delivery.

All this and more will be debated, discussed, argued over and sung about in Porto Alegre. We wish you were here!

PORTO ALEGRE SOCIAL SUMMIT SETS STAGE FOR COUNTEROFFENSIVE AGAINST GLOBALIZATION

By Walden Bello*

Porto Alegre is not exactly a Third World city. Located in one of Brazil's more prosperous states, Rio Grande do Sul, and populated by people mainly of European stock, this city of 1.2 million people is First World when it comes to infrastructure and social services. In fact, it ranks near the very top in terms of the country's "quality of life" index.

"ANOTHER WORLD IS POSSIBLE"

Yet Porto Alegre, site of the World Social Forum (WSF) last year and again this year, has become the byword for the spirit of the burgeoning movement against corporate-driven globalization. Galvanized by the slogan "Another world is possible," some 70,000 people are expected to flock to this coastal city from January 30 to February 4. This figure is nearly six times that for last year.

Fisherfolk from India, farmers from East Africa, trade unionists from Thailand, indigenous people from Central America will be among those making their way to Porto Alegre. But there will also be a sizable contingent of people from the Northern countries. And the place will be graced by personalities who have come to exemplify the diversity of the movement against corporate-driven globalization-among others, activist-thinker Noam Chomsky, Indian physicist-feminist Vandana Shiva, Canadian people's advocate Maude Barlow, and Egyptian intellectual Samir Amin.

COUNTERPOINT TO DAVOS

The World Social Forum emerged as a counterpoint to the World Economic Forum, the annual gathering of the global corporate crowd in Davos, Switzerland. Proposed by a coalition of Brazilian civil society organizations and the Workers Party that controls both Porto Alegre and the state of Rio Grande do Sul, the idea triggered strong international support from organization such as the French monthly *Le Monde Diplomatique* and Attac, an influential Europe-wide organization supporting a tax on global financial transactions, and received financial support from progressive donors like Novib, the Netherlands Organization for International Development Cooperation.

Driven by this energy, the first WSF was put together in a record time of eight months.

A televised trans-Atlantic debate between representatives of the WSF and some luminaries attending the WEF was billed by the *Financial Times* as a collision between two planets, that of the global superrich and that of the vast marginalized masses. The most memorable moment of that confrontation came when Hebe de Bonafini, a representative of the Argentine human rights organization *Madres de la Plaza de Mayo*, shouted at financier George Soros across the Atlantic divide: "Mr. Soros, you are a hypocrite. How many

children's deaths are you responsible for."

Since its first meeting the stock of the WSF has risen while that of the WEF has fallen. "Already put on the defensive as a gathering to 'discuss how to maintain hegemony over the rest of us,'" as one of the debaters on the WSF side put it, the WEF received a further blow when it was forced to hold its 2002 meeting away from Davos since the Swiss government could no longer guarantee the security of its corporate participants. Providing protection for WEF 2001 had necessitated the country's largest security operation since the Second World War, and this provoked cries of protest from within Switzerland.

Thus, the WEF has moved to New York for 2002, and it is not clear when and if it will return to Davos. But as observers point out, "a great part of the attraction of the WEF is the 'ambience' of Davos as a retreat high up in the Swiss Alps. Without this, it is headed for oblivion."

The centerpiece of this year's gathering in Porto Alegre are 26 plenary sessions over four days structured around four theme: "the production of wealth and social reproduction," "access to wealth and sustainable development," "civil society and the public arena," and "political power and ethics in the new society." Around this core will unfold scores of seminars, a people's tribunal on debt sponsored by Jubilee South, and about 5,000

workshops. Marches and demonstrations of workers and peasants are also expected, led by the Brazilian mass organizations CUT (Central Union of Workers) and MST (the Movement of the Landless) that are among the key organizers of the WSF.

TUMULTUOUS YEAR

The anti-establishment forces gather in Porto Alegre after a tumultuous year. Perhaps the apogee of the anti-globalization movement came during Group of Eight Meeting in Genoa in the third week of July, when some 300,000 people marched in the face of police tear-gas attacks. Shortly after the Genoa clashes, in which one protester was killed by police, there was speculation in the world press that elite gatherings in non-authoritarian countries might no longer be possible in the future. And indeed, Canada's offer to hold the next G-8 meeting in a resort high up in the Canadian Rockies in the province of Alberta seemed to confirm the fact that the global elite was on the run from the democracy of the streets.

Then came September 11, which stopped a surging movement dead in its tracks. The next big confrontation between the establishment and its opponents was supposed to take place in late September in Washington, DC, during the annual fall meetings of the World Bank and the International Monetary Fund. Unnerved by the prospect of a week of massive protest that was expected to draw some 50,000 people, the Bretton Woods twins took advantage of the September 11 shock to

cancel their meeting. Without a target and sensitive to the sea change in the national mood in the US, organizers cancelled the protest and held a march for peace instead.

The establishment followed up on the unexpected opportunity to reverse the crisis of legitimacy that had been wracking it prior to September 11 by pressing the developing countries to approve a declaration launching a limited set of trade negotiations during the Fourth Ministerial of the World Trade Organization (WTO) in Doha, Qatar, in mid-November. Third World governments were told that unless they agreed to talks leading to greater liberalization, they would have to take responsibility for worsening a global recession that had been accelerated by the World Trade Center attack.

Taking no chances, the WTO secretariat and the Qatar monarchy had worked to limit the number of legitimate NGO's attending the meeting to about sixty. This ensured that the massive demonstrations on the street that characterized Seattle, which had served as a context for the famous developing country revolt at the Sheraton Convention Center, were not present in Doha, and under these circumstances, developing country opposition collapsed.

REVERSAL OF FORTUNE

Had the WSF meeting been held in late November of December, the mood of people coming would have been different. The Bush administration would have been riding high after its

devastating triumph in Afghanistan. However, in the last few weeks, history, cunning as usual, has dealt Washington two massive body blows: the Enron debacle and Argentina's economic collapse.

Enron has become the sordid symbol of the volatile mixture of deregulation and corruption that drove the US' "New Economy" in the 1990's and helped lead it to what is possibly the worst global recession since the 1930's.

Burdened with an unpayable \$140 billion foreign debt, its industry in chaos, and 2,000 of its citizens falling under the poverty line daily, Argentina serves as a cautionary tale of the disaster that awaits those countries that take seriously the neoliberal advice to liberalize and globalize their economies.

As the WSF opens, these twin disasters have brought back with a vengeance the crisis of legitimacy that the global elite and its project of corporate-driven globalization were experiencing prior to September 11. Porto Alegre provides the perfect site and the perfect moment for the counter-offensive on the part of the movements that believe that "another world is possible."

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A SHAREHOLDER PICKETS OUTSIDE THE WALDORF

By Barbara Garson

I own shares in a few companies that are members of the World Economic Forum. My CEOs will be meeting from Jan. 31 through Feb. 5 at the Waldorf Hotel with CEOs from about a thousand other companies to figure out how to make more money for me. But I'll be outside picketing.

The WEF is a private club of corporations and a few very rich individuals that started meeting about thirty years ago at a time when profits were falling and it was hard to find good investments in the US and Europe. People with money were looking abroad but many third world nations had rules that slowed down certain kinds of speculative investments. So did the First World countries, for that matter. For back in the early 1970s it was an economic truism that unregulated money flows meant wild swings that could derail real economic development.

WEF members, stuck with lots of money to invest, needed to reverse that truism. The most visionary dreamed of supra-national institutions to enforce a new kind of financial globalism. The World Trade Organization (WTO) is one of the institutions that the WEF proudly claims to have spawned during its first decade of meetings. They also helped to change the mandates of the IMF and the World Bank so that those two Keynesian institutions would act on new economic principles that they (and we) call "neo-liberal."

One of the tenets of neo-liberalism is that governments should not be in business, even the business of providing public services. Therefore public assets like telephone lines, railroads, hospitals, schools and even jails should be sold (cheaply) to private companies who then sell services like schooling and transportation to the public. This is called "privatization." Its advantage is that it opens up new protected businesses to companies that were running out of opportunities back home.

That brings me to one of the WEF member companies I own shares in. Suez Lyonnaise is a French based water company that makes money by taking over and running public water systems. Frankly though, there aren't many First World localities that want their services. They had a gig in Grenoble, France, but they were kicked out for bribing the mayor to get the contract. The mayor went to jail but my company directors remained free and moved on. Even after the Grenoble convictions Suez Lyonnaise was able to take over the Johannesburg water system.

Water privatization is controversial in South Africa because the African National Congress hoped to

provide water (and electricity if possible) to poor black communities. But a private water company has to charge costs "plus." In Argentina (a model of neo-liberal economics) one of my French companies took over a local water system and raised fees by 400%. That's how they make money for me.

In order to prepare the way for privatization of a public service, the IMF pressures governments to start charging in advance of the sales. So after Johannesburg privatized, other South African localities introduced water fees to get people used to paying for water. One community levied a four Rand minimum charge. That low fee was a kind of baby step toward privatization. Still some people who couldn't pay had their service turned off and took to fetching water from the river. The result was a devastating Cholera epidemic. Yet the IMF pressures South Africa to go on with its privatization program.

I don't know anyone who believes that water privatization is inherently sensible. Before the current global era most economists, including Adam Smith, I imagine, would have rated a government as backward if it couldn't provide basics like clean drinking water to all its people. Like the other neo-liberal principles,

privatization simply reflects the desperation of companies such as Suez Lyonnaise that can't find constructive ways to get a return on their money.

To be fair to the WEF, there will be some people inside the meeting who have the same doubts as those of us picketing outside. A few, including George Soros, are troubled by the misery that their kind of globalization brings to ordinary people. Like WEF member Bill Gates, Soros has spent a lot of his private money on disease control in countries like Russia where neo-liberal rules have wiped out public health services. But even WEF members whose eyes are too glued to the bottom line to notice a passing Cholera epidemic are worried this year.

Globalization was a concept they invented as an answer to their investment problems. Growth in the First World had slowed down, as it does every several decades. The investor's response was to move money abroad. The four sacred precepts of neo-liberalism-privatization, liberalization of money flows, balanced budgets and "free" trade-were devised to make Third World investments safer by making it easier to move money quickly and by transferring the investment risks to the people in poor countries. With the new rules in

place, money lurched from region to region. Speculative investment sprees were followed by deep recessions in one Third World country after another. In a mere three decades of corporate style globalism devastating booms and busts hit every continent except the Arctic and the Antarctic. Thanks to the global institutions they helped create, most of the WEF members got their money out safely each time. But where can they put it now?

As the WEF meets this year, we face the first truly world-wide recession of the global era. Every major nation has been hit at once. That will make people inside the Waldorf look more critically at the economic rules their club has promoted during its first thirty years of existence.

Unfortunately we can't count on them to come up with the new set of rules we need. Though many are bright and knowledgeable, their responsibility to grow my money makes their thinking short range and desperate. Most WEF members will cling to neo-liberal shibboleths like privatization until the last tiny Third World economy has been "opened" and wrecked.

Though it frightens me to realize it, we, who are so often called "anti-globalists," will have to come up with new global rules that work for the common good. Our chants outside meetings like this one are the only voices suggesting to the

public that another world is possible. So even though I'm an investor, I'm going to be outside the Waldorf Hotel in NYC on February 2, shouting as loud as I can.

* Barbara Garson is the author of "Money Makes the World Go Around: One Investor Tracks Her Cash Through the Global Economy from Brooklyn to Bangkok and Back" Penguin Paperback Feb 2002. See review below.

PS: The new Patriot Act makes it difficult for lawyers to help any non US citizen arrested at a demonstration. We advise non-citizens to keep well away from the police even at this peaceful, legal activity. As a matter of fact, our lawyers tell us that the Patriot Act defines terrorism so vaguely (intimidation meant to change a government's policy) that a march or rally against neo-liberal economics could in certain climates get us all defined as terrorists. As citizens we would at least have the opportunity to challenge the law. That makes it a good time for non-citizens to use caution and for citizens to come out in great numbers to defend our right to demonstrate.

THE TWIN DEBACLES OF GLOBALIZATION

By Walden Bello*

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 *sozialpolitik* 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 of or with the approval of the US Treasury Department and its surrogate, 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. 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 swingeing 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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G8 SEEKS REDEMPTION IN SEPTEMBER 11

By Nicola Bullard

After the "bloodshed, muddle and mayhem" of Genoa, everyone agreed that the days of the "big summit" were over. In the words of one British newspaper the annual meeting of the world major capitalist powers had turned into a "costly and extravagant media event" producing little except "lengthy declarations that often contain more platitudes than substance."

The Genoa summit was not only costly and extravagant, it was a public relations disaster: 250,000 protestors on the streets, one young man shot dead by a policeman, and mounting evidence that the Italian police had provoked and condoned much of the violence attributed to the "black bloc." Confronted with this, the G8 appeared arrogant, out of touch and disunited. Their only response was a final declaration true to the rule of platitudes outweighing substance.

Their full support for a new round of trade talks surprised no-one, the global fund for HIV-AIDS had been announced months earlier, the pledges on debt relief have been heard a thousand times, and their desire to "bridge the digital divide" and "make globalisation work for all our citizen's and especially the world's poor" had become well-worn

cliches. One or two new commitments, such as the "Marshall" plan for Africa, were vague and had no resources to back them.

The G8's failure to come up with any concerted political action or vision is to be expected. First, any decision that would have an effect on global inequality would require the rich countries to give up something — such as their right to dictate economic policies for the rest of the world — and they are not about to do that without a fight. Second, they know that it is not possible to deal with these problems and save their privileges at the same time. Third, they are internally divided about what needs to be done and the only common ground is a lukewarm plateau of platitudes.

CRACKS IN THE CONSENSUS

The political divisions among the leaders were particularly obvious in their responses to the protests. While UK Prime Minister Tony Blair dismissed the protestors as anti-democratic hooligans, French President Jacques Chirac commented - even before Carlo Guiliani was shot — that "one hundred thousand people don't get upset unless there is a problem in their hearts and spirits."

And when the leaders left Genoa, the divisions grew even wider,

especially as news of the Italian authorities' midnight raid and brutal treatment of protestors sleeping at a local school started to appear in the mainstream press.

Tony Blair's minister for Europe Peter Hain harshly criticised the Italian police, and as bruised and battered protestors straggled back to London, Paris and Frankfurt with stories of beatings and interrogations, the local media started to take an interest.

In France, Prime Minister Lionel Jospin moved quickly to develop stronger links with the "anti-globalisation" groups and announced that he would push for a discussion of the Tobin tax by the European finance ministers. German Chancellor Helmut Schroeder followed the lead, no doubt spurred by the incredible growth in Germany's ATTAC movement, whose membership exploded from just 400 to 2000 after Genoa.

Indeed, in the slow weeks of the European summer that followed, it seemed that the media was finally "getting the message." Many of the "better" English, American and European newspapers started to run longer and more sympathetic articles about the "anti-globalisation" movement. Some even

agreed that the democracy gap between the G8 leaders and the people was looming large and that global inequality was too big to be ignored.

The Financial Times - the weathervane of liberal establishment thinking - launched its own special series on the "counter-capitalists." Ironically, the first article appeared on 11 September. Understandably, the series was temporarily spiked while the world followed the attacks in New York and Washington with horror and astonishment. However, it resumed several weeks later with an understated but clear message that the issues the "counter capitalists" care about - debt, poverty, unfair trade, environmental and social disintegration, jobs and human security - are even more important now than they were before September 11.

EVERYTHING IS CHANGED, EVERYTHING IS THE SAME

The world has changed a great deal since September 11. For many people it is a lot worse. The recession - barely mentioned in Genoa and then wished away in the G8 declaration - has now become a fact, sharpened and deepened by the spill-over effects of September 11. The ILO predicts that a global recession could cost 24 million jobs worldwide. This is a disaster for many developing countries, especially

those which are heavily dependent on foreign export markets. The war on Afghanistan can only bring suffering to the Afghans and the "global war on terrorism" could mutate into a globalised low intensity war, where everything and anything can and will be justified in its name.

But for the G8, the events of September 11 have been a blessing in disguise, giving the discredited elite alliance a new lease of life.

Under the moral rubric of the "global war against terrorism" and with "Operation Infinite Justice" as its manual, the G8 has transformed itself from a lurching economic talk-shop into a fully-fledged military alliance. The US, which before September 11 was looking increasingly like a pariah on the international stage after repeated acts of arrogant unilateralism, has resumed the pilot's seat, with the UK as co-pilot. Germany, France and Italy have pledged "unlimited solidarity" and troops, while Japan - much to the distress of its very large domestic peace movement — changed its post-war constitution to allow Japanese troops to be sent overseas. Russia stands to be the biggest winner: not only has its war against Chechnya been legitimised as a war against terrorism but they may get the windfall of strategic oil pipelines passing through their territory. Canada, as always, is a faithful ally.

The question, then, is how will these countries balance their international commitment to the "war against terror" with growing domestic pressures for changes to the global trade and financial system, a recession and mounting unemployment, and the recognition that the injustice and inequalities that motivated the protests in Genoa are also the source of terrible discontent in the South.

"THE SEEDS OF TERROR THRIVE IN POOR GROUND"

In the days following the assault, many commentators wisely agreed that poverty is the breeding ground for terrorism and fundamentalism (Islamic, of course, not Christian or Hindu) as if they'd know this for a long time but no one ever bothered to ask them.

It is far too simplistic to conflate poverty and terrorism. Not only is it nonsense (one billion people living on a dollar a day and how many terrorists?) but more importantly it strips the equation of power and renders it purely economic: a classic neo-liberal solution to a complex historical, political and social problem. You can almost hear George W. Bush saying "if we can bring all these folks into the market then we've got it licked."

It is also dangerously simplistic and saves us from having a serious debate about terrorism,

about what it is and who defines it. And it saves us from talking about violence and intolerance, about imperialism and freedom, about culture and self-determination, and about what lies at the heart of the dominant Western ideas of modernity and development. But, leaving that aside, and accepting the "dumbed-down" view that the world is divided into the good, the bad and the poor who might become bad if they stay poor, then we soon arrive at the conclusion that they need "development." Development means entering the market and, as John Maynard Keynes knew, one of the best cures for a recession is an expansion of the consumer base.

This "anti-terrorist" development strategy will almost certainly take on the familiar shape of liberal containment perfected by the US during the Cold War which was based on ensuring the economic stability of developing countries and, if necessary, supporting armed counter-insurgency to root out communism. In that era the "twin and related" objectives of the US foreign aid programme were "the communist threat against free nations... and the overriding poverty and lack of development..." Replace the word communism with Islamic fundamentalism and we can see the path that the US - if not the G8 — development discourse may take in the coming months.

No doubt it will be dressed up in fine language: perhaps a “New Global Deal.” But no matter what it’s called, it is sure that there will be no prior settling of accounts. There will be no debt-cancellation a la Marshall plan, there will be no review of the unequal trade agreements, and there will be no democratisation of the institutions or the markets.

In fact, it could be a “New Global Deal” for just the few “lucky” countries who are important in the war against terrorism. This was hinted at by UK Secretary for Development Clare Short who, in a total reversal of the Genoa declaration pledge to “untie” aid, said that Pakistan should be made eligible for debt rescheduling and relief under terms usually reserved for poorer countries. “This would serve geopolitical ends while keeping Pakistan on track with its recent impressive reform efforts,” she said.

Clearly the principal beneficiaries of increased aid (if it materialises) will be those countries which are geo-politically strategic in the “war against terrorism” - Pakistan, India, the Central Asian starters, Iran and — who knows? - one day Iraq. Cold War villains Cambodia, China and Vietnam have all been recuperated into the capitalist fold, so anything is possible.

Unless Africa can revive some sort of Islamic fundamentalism, they may again be left in the cold, with an un-funded global AIDS trust, an un-funded Africa recovery plan, and the accumulated woes of the last Cold War and centuries of colonialism.

It is also hard to imagine that there will be a big shift away from the “open economies, open societies” rhetoric of globalisation, as we can tell from this heroic call from the Financial Times’ Martin Wolf:

“The ills of the world’s poor result from too little globalisation, not too much. Their continued marginalisation can only perpetuate deprivation and a sense of injustice. But the extraordinary spirit of international co-operation engendered by last month’s atrocities may just offer a gleam of hope. It has created new possibilities for binding the world closer together, economically as well as diplomatically. The last such opportunity was after the second world war, when enlightened US economic leadership laid the foundations for enduring prosperity and stability in Europe and Japan. Much has changed in the world since then. But there is a moment to be seized now, all the same.” (“Guarding the Home Front,” 17 September, 2001)

The G8 now has a “moral” crusade to carry it through to the next summit. It also has the

incentive to start making serious inroads into reversing the inequalities and grievances that fuel a great deal of anti-Western sentiment. This, ironically, may give some impetus to the hollow promises of the G8 declaration.

The task now for the hundreds of thousands of people who were in Genoa, who will be in Porto Alegre, and the millions around the world who are part of the same movement, is to maintain the pressure on the political elite and their institutions. We should not be cowed or silenced by the attempts to divide the world into good and bad and to link us with the “terrorists.” There is a vast and empty political space between these poles. We must fill that space with our demands for justice and with our insistence that human security and political stability cannot be achieved by a war against terrorism, but only by a war against injustice.

* Nicola Bullard works with Focus on the Global South. A longer version of this article was written for the Milan Social Forum.

ARGENTINA: POLITICAL CONTAGION POSES BIGGEST RISK FOR US

By Gerard Coffey*

“ They (Argentina) don't have an export industry to speak of at all. And they like it that way. Nobody forced them to be what they are.” Paul O'Neill, U.S. Secretary of the Treasury (1)

A few days after Eduardo Duhalde took over the government of Argentina, International Monetary Fund managing director Anne Krueger sent him a letter stating that the government of Argentina was not in a state to receive help from multilateral financial institutions because it lacked a “coherent” [financial] program

The response of Argentina's deputy economy minister Jorge Todesca was emphatic. “Mrs Krueger sent a letter, a few days after the government took over, which in itself was quite incoherent, presenting a number of questions about which it wasn't possible to tell if they were conditions or not, and which to my way of thinking were offensive to Argentina.”

He went on to say the IMF should “talk less if they don't have anything interesting to say” and that they should “let us work for a few days more to stabilise the economic and social situation... what we must have is a program of development for Argentina...I don't know if it is of interest to Mrs Krueger but it does

interest the people of Argentina.” (2)

A few months ago, you would not have heard these sentiments expressed by a representative of the Argentine government. Now, not only is the government saying it but it reflects the feelings of most Argentines and would find an echo in many other parts of the world, especially in the Third World, where people have suffered at the hands of the US-dominated Fund.

Even in the US, in these times of nationalistic adherence to the official line, the IMF and its policies in Argentina have their critics.

In a recent opinion piece in the New York Times, Paul Krugman said that in the eyes of a large part of the world “the policies in Argentina have ‘made in Washington’ stamped all over them” and likened the IMF practitioners to medieval European doctors who insisted on bleeding their patients “and if the bleeding made them worse, repeated the process.” (3)

The idea that the US and the IMF have anything to do with the crisis in Argentina is, of course, rejected by Washington. US treasury secretary Paul O'Neill told the Wall Street Journal that the idea that the disturbances in Argentina could justify the IMF (whose major

supporter is the US) offering more financial support “suggests that in some way we must accept responsibility for how they [the Argentines] manage the country, which to me is inappropriate.” (4)

In a separate interview with the Economist (5) O'Neill asked: “In five years time, will anyone remember this?”

“SINK OR SWIM”

Perhaps he and the rest of the Bush team, who are treating this as a minor issue unlikely to affect the rest of the financial world, won't remember much about the crisis (the Enron scandal is a more clear and present danger). But what's certain is that the people of Argentina who have recently, and perhaps surprisingly to them, found themselves face to face with not only the country's but their own personal bankruptcy will remember for a long time.

Apart from “suggesting” policies such as “zero deficit” which lead to the slashing of public sector salaries and to a predictable deepening of the recession which ultimately lead to the outbreak of violence and the downfall of President De la Rúa on 20 December, the IMF (that is, the Secretary of the Treasury) decided that Argentina would be a good test case for the institution's new sink or

swim policy. According to conservatives in the administration, investors must now be prepared to suffer the consequences of their actions and assume the risks if the investment turns sour. However strategic concerns have always played a big part in US economic policy and the trick was to find a good and not too risky candidate for the experiment. Turkey was too important to risk, but Argentina seemed just right.

In early December, the IMF withdrew its support, refusing to hand over US \$1.3 billion due as part of a larger “rescue package” agreed with the Argentine Government, thus effectively pulling the rug out from its own neo-liberal experiment. Ironically the IMF's new policy of letting the investors suffer the consequences has also brought cries for them, too, to share the pain, as the International Financial Institutions usually receives preferential repayment even when a country defaults on its other bond loans.

NEOLIBERAL LABORATORY

This is not the first time that Argentina has been used as a financial laboratory. At the beginning of the 1990s was tuned into the playground for free marketeers, financial

liberalisers, promoters of the now-discredited Washington Consensus, and of course, carpetbaggers from the IMF and the World Bank. Ex-president Menem (1988-99), who was later jailed for his part in running guns during the conflicts in Croatia and Ecuador/Peru, was at the helm of one of the most thoroughgoing privatisation and liberalisation schemes undertaken in the name of neoliberalism. And for a few years, due to privatisations and other liberalisation measures, the money poured in, growth rates reached 10 per cent and real wages rose.

But then it stopped, just as abruptly as it started. Argentina survived the Mexican crisis, the Asian financial crisis the Brazilian and Russian crisis, but there was a price; it simply stopped growing. GDP languished and was rapidly overtaken by unemployment which rose to 17 %. And this in a country which, unlike many others in Latin America, has been almost entirely absorbed by the global cash economy, making the impact even harsher because there was virtually no subsistence economy to fall back on.

In the mid 1900s Argentina was the sixth most powerful economy in the world, it now enjoys the long-derided status of its Latin American neighbours — a Third World Country. Once the show piece of the neo-liberal establishment, it is now

a pariah, shunned by the IMF and the US and an embarrassment to the World Bank, the Chicago and Harvard Schools of Economics and all the other true believers, because Argentina shows that the neo-liberal utopia is an illusion.

Not that anyone was surprised by what happened in Argentina: last year the Wall Street Journal reported the wager between two US economists over whether Argentina would default before the summer or before Christmas (2001). And there can be no doubt that the banks were well-prepared hedging their exposure beforehand and, according to some sources, spiriting money out of the country.

NO WAY BUT DOWN

The IMF knew it. Ex President Fernando de la Rúa knew it and bet everything on Domingo Cavallo, the Harvard-educated economics wonder boy who was responsible for bringing in the policy of pegging the peso to the dollar. It wiped out inflation all right (even leading to deflation in some years) and helped in the initial surge of investments, but it finally proved to be a straight jacket from which there was no escape. With no way of devaluing to combat the Brazilian devaluation of 1999 (and the resulting fall in exports and industrial flight) and with no way of abandoning the dollar because the business sector and the political elite had assumed massive loans

in dollars (the private sector debt is 30% of the \$200 billion national debt, seventy per cent of which is denominated in dollars), the Government was cornered

Now there's nothing left to sell, although in one of its earlier attempts to save its show piece the IMF did suggest that, in return for more money, besides cutting salaries, more privatisation and more deregulation were necessary. So Argentina, a long way from any important US strategic interests, must fend for itself. (Although, an article in the Financial Times in August last year half seriously suggested that Argentina should offer to host US missile bases to ensure a steady line of credit.) Let's not be fooled by the recent IMF gesture of waiving repayment of some \$900 million until 2003; Argentina simply isn't in any shape to pay. And besides, the \$900 million represents only about 10% of the country's scheduled repayments for this year.

In the meantime George W. Bush, has been insisting on his support for Argentina through the IMF, but only if there is "a solid and sustainable economic program." What this program amounts to, what coherent means, and for whom, has not been specified, however it is possible to guess at what the US and the IMF will ask for in return for a stabilisation package or, in other words, saving the system from itself. Bush recently "suggested" that this is

not the time to retreat from the path of free trade and financial liberalisation in the Americas. The obvious allusion is to Argentina and the obvious warning is to Duhalde, who was an open critic of Menem's privatisation policies and who has stated that he will act to protect (what's left of) Argentina's industry and workers. For the US, this sort of heretical thinking is a threat to US investments and to plans for the Free Trade Area of the Americas, which has already encountered opposition from Brazil and Venezuela.

Ex president Menem and present President Duhalde both belong to the political party founded by the legendary General Juan Domingo Peron and regularly trade accusations of being "inept." But the clear culprits are the policy of parity with the dollar, which went on five years too long, and the ineptitude of the IMF which first built and then tried to sustain at all costs the glorious monument to liberalisation which was Argentina.

The clear losers are the people on the street, the middle classes who have seen their savings and their salaries halved in value due to the recent devaluation (a decision taken despite intense pressure from Spain and others to maintain the monetary parity) and their money frozen in banks which don't have enough to pay them back. The unemployed,

whose chances of getting a job are even less than they were when the unemployment rate stood close to 20%, are also losers. Other developing countries, too, will feel the backlash. Argentina accounts for about 25 % of the developing world's bond market and it's inevitable that the financial collapse there will affect, at least in the short term, the willingness of the much sought after investors to put their money in countries with even greater perceived risks.

POLITICAL CONTAGION

The risk of contagion is unknown at this point, perhaps as some say it's small and won't spread like the 1997 Asian financial crisis. Brazil, however (which has a larger debt than Argentina in terms of GDP) is at risk and if Brazil starts to shake the contagion could be much greater than anyone is willing to forecast at present. The other side of the coin, of course, is that international investor crises tend to make countries think more about their own local, national and regional resources.

But perhaps the biggest risk of contagion, at least from point of view of the military hawks that now occupy Washington, is political. If the result of the chaos in Argentina is a move to the left, or to nationalism, then a potentially horrifying (to the US) scenario of a string of left, left leaning

or nationalist governments in South America could emerge. It would only need the Brazilians to vote for the workers party candidate Lula da Silva in the upcoming elections (which is not all that difficult to imagine) to complete an axis from Cuba to Argentina. The Free Trade Area of the Americas probably wouldn't be high on its list of priorities. And they thought president Hugo Chavez of Venezuela was their problem.

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- (2) Argentina de Espaldas al FMI, El Comercio, Quito, 13 January 2002
- (3) El FMI Sab?a Lo Que Ven?a, Lideres, Quito, 07 January 2002
- (4) Estados Unidos Insiste en que no Habr? M?s Ayuda Para el Pa?s, The Wall Street Journal of the Americas, 21st December 2001
- (5) The Economist 19 July 2001

TWO, THREE, MANY ARGENTINAS? PORTO ALEGRE CAN PUT A DEBTOR'S CARTEL ON THE GLOBAL AGENDA

By Jeremy Brecher, Dennis Brutus, Tim Costello, And Brendan Smith*

International investors have imposed their will on the world by means of a "creditors cartel"-embodied in the IMF, the World Bank, the G-7/8, and their creatures and allies. They have imposed cruel and destructive policies on the people of debtor countries. The elites that control most debtor governments have often cooperated with the foreign investors and enriched themselves. Now the people of Argentina have said: Enough!

As long as Argentines act alone, the creditors cartel will have the power to impose further cruelties on them-and they're preparing to do so. But there's a strategy for turning the tables on the moneylenders.

Popular organizations from all over the world are meeting at the end of January in Porto Alegre, Brazil. They have the opportunity to fire a (non-violent) shot that will be heard around the world: The launching of a global campaign for a debtor's cartel. It is common knowledge among lenders-but a secret they keep from borrowers-that creditors are dependent on their major debtors for their own well-being. If debtors can't or won't service their debts, creditors are left holding the bag.

But the only way today's debtor countries can take advantage of such dependence is to break out of the current framework in which each debtor country approaches its problems separately, as a matter between it and the creditors cartel.

Just as a worker is individually powerless before a boss but strong in a union with other workers, so today's debtor countries need to work together to limit their domination by international creditors. Once debtor countries begin dealing collectively with their creditors-summed up in the phrase "debtors cartel"-the result could be a radical shift in the global power configuration.

The threat of a collective moratorium on debt repayment provides the implicit equivalent of a strike. It provides a way to block the kind of reprisals by the debtors cartel that are now being threatened against Argentina.

Of course debtor governments and the elites that control them are unlikely to pursue such a strategy on their own initiative. But the emergence of a global justice movement, combined with the growing rejection of neoliberalism among the people of the debtor

countries, opens new possibilities for pressuring them to do so - or for replacing them with others who will. Here's a resolution embodying that strategy that anyone is welcome to borrow or adapt.

RESOLVED:

1. International investors have cooperated through a united front—the IMF, the World Bank, the G-7/8, and their minions. But they have required debtor countries to negotiate with them one by one.

2. The effect is a drastic imbalance of power that has devastated both poor countries (“Less Developed Countries” or “LDCs”) and industrializing ones (“Newly Industrialized Countries” or “NICs”).

3. While debtor country governments and elites have too often cooperated with foreign investors for their own enrichment, Argentina has shown that popular movements can force policies to change. But governments that abandon neoliberal policies face the threat of devastating reprisals from the creditors cartel. The solution is debtor solidarity.

4. We demand that the creditors and those who represent them, including the IMF, the World Bank, and the G-7/8, agree to bargain with debtor countries collectively.

5. We will campaign for debtor governments to develop a united front with each other and with popular movements to

press this demand.

6. We will campaign for them to back this demand with the threat of a joint moratorium on debt payments. Such a moratorium should continue until the creditors and their representatives agree to negotiate with the debtor nations, in consultation with popular representatives, on an agenda that includes the following:

Capping the percentage of export earnings that can be required for debt service. This is essentially a way of refusing to run debtor countries economies to service their debts rather than to meet the needs of their people.

Eliminating loan conditionalities that prevent countries from expanding domestic markets, providing credit for their farmers and businesses, and using what resources they have to develop their own economies rather than paying interest to the global rich.

CANCELING THE DEBT OF THE POOREST COUNTRIES.

Providing international support for nationally-imposed “capital controls” that limit the flow of speculative capital into and out of countries.

Reducing the power of the IMF and other international financial institutions and substituting a system of

overlapping organizations representing particular regions and particular functions, such as environment and health, coordinated through the UN system.

Replacing IMF “rescue operations” with an insolvency mechanism for indebted countries, with arbitration panels representing both debtors and creditors, which would take into account the need for social safety nets to protect a minimum of human dignity of the poor.

Implementing an international “Tobin Tax” on flows of speculative “hot money” to reduce international financial volatility and provide resources for poorer countries.

The idea of a debtors cartel is already in the wind, promoted by groups like Jubilee South, whose South-South Summit Declaration stressed “the need for collective action among the South” and the formation of a strategic alliance to unite on issues like “debt repudiation.” Similarly, representatives of popular organizations in 13 African countries meeting in Lusaka, Zambia, called for “collective repudiation of illegitimate foreign debt payment” and “linking our arms across the borders” to create “pressure on our leaders to establish a Debtors’ Cartel.” The idea has also been widely discussed in the PT, the Brazilian party whose most visible leader, Lula,

is the current front-runner in the upcoming presidential election.

Next steps can be as simple as adding such debtor country cooperation to local and national movement programs; including it in the demands of mass actions opposing structural adjustment; and injecting it into election campaigns, demanding that parties claiming to oppose IMF policies pledge such international cooperation.

Such an approach also provides a natural linkage to workers in the North. IMF conditionalities forced countries such as South Korea, Brazil, and Russia to export manufactured goods at rock-bottom prices based on depression-level wages. This has contributed substantially to mass layoffs and unemployment, especially in U.S. manufacturing. A joint attack on structural adjustment-style policies and support for growth driven by domestic demand in Third World countries could serve as the basis for a powerful alliance between First World labor and a wide range of forces in the Third World.

Even the threat of a concerted default is a financial atom bomb; brandishing it might change the entire dynamics of global financial relations.

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(South End Press) and the producers of the video documentary *Global Village or Global Pillage?* For more information about their work, visit www.villageorpillage.org. Dennis Brutus is a Member of the Council of South Countries and a Patron of Jubilee South Africa. A longer article, "Debtors of the World, Unite!: Does "Globalization from Below" Open New Possibilities for Resistance?" appeared in the August-September 2001 *International Socialist Review* and is on the World Social Forum website at http://www.forumsocialmundial.org.br/download/bib_brecher_eng.doc. Anyone is welcome to disseminate or reprint either piece.

FOLLOW THE MONEY!

"Money Makes the World Go Around" by Barbara Garson, Penguin, New York, 2002.

Reviewed by Nicola Bullard

My first encounter with Barbara Garson is described on page 314 of her new book "Money Makes the World Go Around."

Here's what she wrote:

"Is PTT for sale?" I scribbled during an IMF session called "Global Integration" and passed the note to an Australian economist based in Thailand.

"Yes," she wrote back. "Most of its assets are scheduled for auction."

That brief exchange took place during an IMF World Bank annual meeting in the heady post Asian financial crisis days. The "Australian economist is me" except I am not an economist.

Apart from this slight inaccuracy, and the fact that I exit the narrative as abruptly as I enter, the rest of Garson's book is great. She sets out to "follow the money," tracking her investments (the publisher's advance for this book) through a small local bank and the international behemoth Chase. Both paths are fascinating and take us to places we would never visit on our own: the ForEx trading room of Chase, the planning offices of a multi-billion dollar petro-chemical refinery in Southern Thailand, and a union

meeting in the living room of a sacked Sunbeam worker in Portland, Tennessee, USA.

In fact, the book is so good I felt humbled: after six weeks in Thailand Garson has a better feel for the country than I have after six years and her grip on financial investments, capital markets and the language of the City is sure and lucid. What's more, she is an excellent writer with an interest in both the big and the little picture. This was brilliantly demonstrated in her book of several years ago "All the Livelong Day" which recounts with empathy and humour the true-life work stories of hundreds of working class Americans trapped in tedious, dangerous, insecure and poorly paid jobs. The humanity of Garson is that she cares whether these people still have their jobs in recession-struck USA and because she is genuinely interested in the fate of the people she interviewed in Thailand post financial crisis. They are not statistics, they are real people with quirky personalities, ambitions and sad stories.

Apart from the deceptively plain writing, and the curiosity and wit that drive the story along, Garson approaches her subjects

with an open-mindedness which disarms and charms everyone she meets. She finds everything interesting, she asks all the dumb questions most of us would never dare, she chats with the bosses and finds out about their lives and their kids, just as she chats with the Malaysian fisherman or the Tennessee factory worker and lets them describe their lives in the world of hyper capitalism.

The book is not without moral force and a political spin. One of the nastiest villains we encounter is "Chainsaw" Al Dunlap, the doyen of downsizing, who writes books with titles like *Mean Business*. During his stint at Sunbeam, Dunlap virtually cleared the company, destroying thousands of jobs and lives. He even managed to lose his shareholders a big pile of money. It was the company's third restructuring in a decade, and, as Garson says, "How many times can you squeeze a lemon?" (By the way, Arthur Andersen — the corporate auditor embroiled in the Enron meltdown — also faces SEC investigation for its role in Dunlap's butchery of Sunbeam and has paid \$110 million to settle Sunbeam investors' damage suits.)

But there are also heroes: the ace welder from Thailand who works in Singapore saving money for the future, a feisty young woman from Isarn (North Eastern Thailand) who escapes the sewing sweatshop and strikes out with her own noodle shop, stoical factory workers from small town Southern USA sacked after 25 years without notice and Mangrove Action Network activists hammering out strategies in Lower Manhattan.

Amid all these earthy and amusing stories Garson explains with utter clarity how the international financial markets work, the driving force of “shareholder value” and the growing disarticulation between workers and capital, profit and productivity. Indeed, by pulling on the threads that connect the shrimp farmer from Songkla to the New York matrons at the mutual fund shareholder meeting, she unravels many mysteries.

Garson (who was once the Socialist Party’s vice-presidential candidate) is firmly on the side of the people and she builds a picture, frame by frame, of how the globalised economy effects people. She puts the “real” back into the economy.

It’s a page-turner, extremely informative and a subtle political tract: a fine combination. What’s more, it is funny and wonderfully written. “Money Makes the World Go Around” is

published by Penguin (US\$14) and will come out in paperback on 5 February.

* Nicola Bullard works with Focus on the Global South in Bangkok and received a review copy of the book from the publishers.