

*an anarchist critique*



of the **Global Economy**

# AN ANARCHIST CRITIQUE OF THE GLOBAL ECONOMY

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thanks to all who helped in the  
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it is important to underline that this is **an**  
anarchist critique. There are many different kind  
of anarchists. Some of whome would strongly  
diagree with various parts of this pamphlet  
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We propose to attack oppression everywhere it exists: in international institutions that make people poor and destroy the environment, in social norms that confine and exploit our sexuality, in the very existence of bosses and the police and the military who protect them, in abusive husbands and boyfriends, in the meaningless and oppressive needs that we have been sold by the culture industry, in neocolonial racism and in dogmatic schemes that claim to have all the answers.

Just as different kinds of oppression overlap and reinforce each other, so too can different struggles for freedom. We want the convergence of thousands of revolts against oppression. We want solidarity between everyone struggling to free themselves. We want real communities, developed by free association of individuals. We want to reorganize society from the bottom up.

We want anarchy.

## **PART 1: THE IMF, THE WORLD BANK AND DEBT**

In July of 1944, representatives from 44 governments met in the little New Hampshire resort town of Bretton Woods. The global economy had just been through a devastating depression that had ended in a bloody world war. They were looking for a way to rebuild the economies of European countries in ruins. They were trying to create a stable global economy. They were trying to save capitalism.

One of the main decisions at Bretton Woods was the creation of a system of fixed currency exchanges, with the United States dollar (backed by gold) as the dominant international currency. Also at Bretton Woods, the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (commonly called “The World Bank”) were created. The GATT was a loosely structured treaty establishing a set of rules to govern international trade. The goal was to increase trade by eliminating tariffs on imported goods. The IMF and World Bank were closely related international institutions. The IMF was to oversee the new system of fixed exchange rates by facilitating the exchange between different currencies and thereby making international trade easier. It was also to provide short-term emergency loans to governments in economic distress, to be paid back within 5 years. The World Bank’s role was to provide long-term loans at low interest rates so that European countries could rebuild what had been destroyed during the war. The World Bank provided loans for everything from airports to roads to dams to power plants. This reconstruction effort was aided by the United States who wanted to rebuild the European economies in order to have markets for their own exports. In the 1950s, after Europe had recovered somewhat, the World Bank began to lend to the governments of poorer countries in Latin America, Africa and Asia.

In 1973 as a result of massive spending on the Vietnam war and rising oil prices, President Richard Nixon decided to take the United States off the gold standard and devalue the US dollar. This destroyed the system of fixed currency exchange rates--currencies could now “float” relative to each other, as they had done in the depression era. It also meant that many of the debts belonging to governments of poor countries increased, since they had been taken out in US dollars.

Throughout the 60s and 70s the World Bank loaned more and more money to the governments of poor countries. These loans were meant for “development”, to build up the countries’ infrastructure and to keep them from losing faith in capitalism and joining the wrong side in the Cold War. Often this meant that money was given easily to dictatorships who merely stole it, or used it to buy weapons. Ferdinand Marcos, the former dictator of the Philippines, and his government are estimated to have taken a third of all World Bank loans to the Philippines. And there are simply no records of where 80% of the loans given to Argentina went, during its years under a military dictatorship.

As their debts grew, many poor countries were forced to go to the IMF for emergency loans just to pay the interest on their debts. The IMF provided loans but only on the condition that the countries undergo “Structural Adjustment Programs”. This meant

that a country's economic policy would be dictated by the IMF.

The idea behind Structural Adjustment Programs is simple: do everything you can to attract business and pay off your debts. Governments privatize many services and reduce spending on others, so that they have more money available to go toward debt repayment. This means cuts even to education, healthcare and subsidies to keep food prices affordable. They also do whatever they can to make their country a more attractive place to do business, including promoting "free trade" and devaluing their currency--in a country whose currency is worth less, all the costs of doing business are less. This, however has disastrous effects on the population of the country, as prices for imported goods climb. Along with this, countries are encouraged to gear their economy toward exports, especially cash crops such as coffee, sugar or cotton, and raw materials such as copper and timber.

As the IMF imposed the same programs and gave the same advice to dozens of countries at once, the international markets were flooded with these products and their prices dropped dramatically. This intensified poverty and also ecological destruction. The effect of IMF/World Bank policies on "developing" countries has been devastating. They impoverish the people by taking away basic services and devaluing the currency. Tanzania for example, spends 9 times more on debt repayment than it does on healthcare, and 4 times more than it does on primary education. The policies destroy the national economy, by gearing it toward exporting to an international market that is already flooded, and by opening up the national economy to be ravaged by competition with richer countries. The ensuing poverty that is created leads to all kinds of other problems. Poverty is the primary cause of ecological destruction. In Brazil, for example, environmental spending was cut 19% under a Structural Adjustment Program. At the same time the population was being impoverished. This meant that poor peasants and newly unemployed workers had to clear more rainforest land to grow crops just to survive. IMF policies were major causes of the famine in Somalia, the war in Rwanda, as well as numerous other international catastrophes.

Furthermore, the debt has not been reduced. In fact, it has greatly increased. From 1973 to 1982 the debt of non-oil producing "developing" countries increased fivefold to \$612 billion\*. When Structural Adjustment Programs were implemented they only made it worse. In fact the longer a country was under a Structural Adjustment Program, the more its debt grew. In the 1980s, the total debt from poor countries doubled to \$1.5 trillion (\$1500 billion). By 1999 it had reached \$3 trillion (\$3000 billion). If the policies have so obviously had detrimental effects, why do they continue?

The answer is simple. They are only having detrimental effects for most people--not all. While "developing" countries receive loans and aid from the World Bank and IMF as well as other banks in "developed" countries, they pay back much more to pay off the interest on their debts. In the 1990s alone poor countries paid \$77 billion more in interest payments than they received in new loans and aid. The banks in "developed" countries are making a killing. Multinational corporations too are doing well, because the price of doing business in poor countries gets even cheaper. Also the governments



control over their lives.

In many ways, the central concern of anarchists is democracy. <sup>3</sup>Anarchist<sup>2</sup>, like the word <sup>2</sup>democrat<sup>2</sup>, used to be an insult. They were both associated with putting decisions in the hands of common folk, which was assumed would lead to no good. Anarchism, as a political philosophy, is based on the notion that there is no necessary link between organization and hierarchy--that a well functioning society need not be based on relationships of domination and subordination. <sup>3</sup>Anarchy<sup>2</sup> does not mean <sup>3</sup>chaos<sup>2</sup>. The word "anarchy" comes from Greek and means "no rulers". "No rulers" only means "chaos" if you believe that the only way to be organized is to have rulers--to have relationships of domination and subordination. For anarchists democracy means that individuals and communities have real control over the running of their affairs. Democracy means that decisions are made directly by the people that are affected by them. This is impossible

if you are being ruled by others. It is impossible if decision-making is centralized, whether that centralization is in the form of a representative government, a dictatorship or a corporation. Decision-making structures must be decentralized if people are to make their own decisions.

It is this direct democracy, or self-management, that we want to extend to every area of society, including the economy. We want the abolition of private property, and a democratically controlled economy, geared toward satisfying the needs of the people, without destroying the ecology of the planet. We want an end to the wage system. We want equality. We want to abolish privilege. We want an end to all that allows people to live by exploiting others and keeping them in forced labour.

We want an end to government, and all systems that centralize decisions and power in the hands of the few, who then enforce those decisions on the rest of the population. But the fight against oppression does not end there. Patriarchy--the domination of women by men--is just as ingrained and far older than capitalism. It too must be destroyed. In our organization we must be consciously anti-racist as well. We want war on every form of hierarchy and domination.



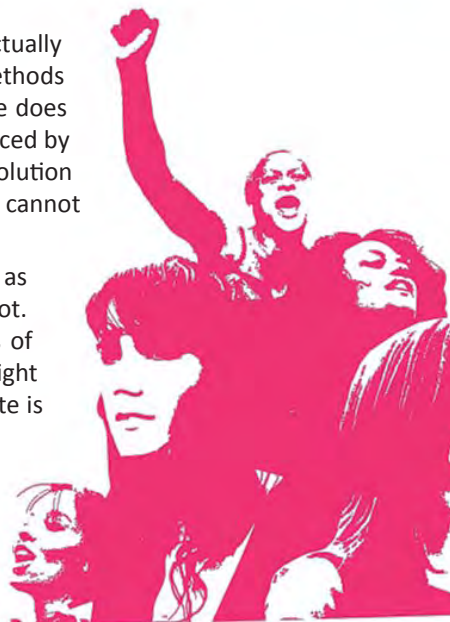
what we have to do now is vote for a better candidate or lobby for a change in some law or get this or that government program running. None of this, however, gets to the roots of the problems. In proposing endless reforms, these people only end up validating the system as a whole. They only end up making minor changes that are won and lost easily. We need radical change. (\*2)

By going through official channels--by asking the ruling class to make the changes--reformists are validating the right of the ruling class to rule. Lasting change in oppressive institutions is the result of pressure from organized popular movements. Reformists do not see the need to get rid of the ruling classes altogether. A system of oppression so entrenched as capitalism and held in place with so much force will only give way by force. We need a revolution.

But how will the revolution come about? Some people, most notably Marxist-Leninists, advocate the seizure of state power by a revolutionary elite. The state's power, they argue, will be needed to crush the capitalists, and afterwards it will slowly disappear. What actually happens is that their hierarchical and centralized methods of organizing are reflected in their results. The state does not slowly disappear and the old ruling class is replaced by a new ruling class. That is no revolution! In a real revolution people must liberate themselves, and that liberation cannot be directed from above.

Both reformists and vanguardists see the state as a useful tool to fight capitalism. Anarchists do not. If the state exists, that means that there is a class of people making decisions--a ruling class with the right to enforce those decisions on other people. The state is inextricably linked to the police and the military. It is a centralized, hierarchical and top-down way of running things. Even in states that call themselves <sup>3</sup>democratic<sup>2</sup> (which is almost all of them), there is no real democracy. The decisions are made by a class of elected officials, who are selected from the ruling classes. People still have no real

# MA CAPIT HIST



of rich and powerful countries benefit from the situation, as they gain tremendous power over the governments of poorer countries. The elite in poor countries benefit as well. Ferdinand Marcos' personal wealth today is estimated at \$10 billion. The situation is very similar throughout the world. There is a small, elite class of officials, bureaucrats, technocrats, economists, coordinators and capitalists who make the decisions about economic policy for most of the world. Not surprisingly they are also the ones who benefit from those policies, at the expense of the rest of the world.

## PART 2: "FREE TRADE" AND THE STATE

We are currently witnessing an attempt to globalize "free trade." But what is "free trade"? The theory behind "free trade" goes like this:

Countries should specialize. They should produce only the things that they are good at producing, and buy from other countries the things that they are not as good at producing. In this way the economy will operate at maximum efficiency. In order for this to happen, barriers to trade must be eliminated. Borders must be opened up, and governments must stop meddling in markets, so that competition will be free on the level playing field of international markets.

In order to understand this argument, we must take a broader look at the global economy. Today more than 1/2 of the world's 100 largest economies are not countries, but corporations. Wal-Mart is bigger than 161 countries including Israel, Poland and Greece. Mitsubishi is larger than the fourth most populous nation on earth: Indonesia. General Motors is bigger than Denmark. Ford is bigger than South Africa. Toyota is bigger than Norway. The combined sales of the world's top 200 corporations are greater than a quarter of the world's economic activity, more than the combined economies of all the world's countries minus the biggest 9. About 1/3 of all of what is called "trade" is simply moving of resources across borders between subsidiaries of the same corporation. It has nothing to do with free competition. It is a centrally-managed, economic activity, planned by the corporate elite.

Furthermore, the "opening up of borders" is only for the rich. It is the removal of restrictions on the flow of money across borders. In reality, it is getting harder and harder for most people to cross borders, especially if they want to get a job in another country. This is a key feature of "free trade": making capital mobile and labour immobile. Since people are immobile--they cannot easily cross borders--differences in wages and unionization rates can be maintained across borders. When controls on the movement of capital are removed, corporations can simply relocate their operations to the countries with the lowest cost of doing business. This will be the country with the lowest wages, the least active unions and the lowest environmental standards, since all these things cut into profits. This situation exerts an economic pressure on wages in all countries to drop and environmental standards in all countries to be loosened. This is the agenda behind the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA). NAFTA is a treaty between Canada, the United States and Mexico, that removes restrictions on capital flow across their borders. Since

## PART 4: SOLUTIONS

There are some people who think that the problems we are faced with can be slowly solved as we invent new kinds of technology that allow us to do things in more efficient ways. For example, the agony of forced work, it is said, could be eliminated by inventions that make less time and effort on the part of the worker necessary. In a society that valued equality, such an invention would be welcomed (assuming that it was not the cause of other problems, such as health-impairing pollution). In such a society, it would mean that people would have to work less. In a capitalist society, it means that workers hours are cut, or their jobs are lost. They are replaced by machines. The only ones who really benefit from this are the capitalists, because they have less wages to pay.

Efficiency in capitalism is about profit--nothing else. The argument for <sup>3</sup>free trade<sup>2</sup> states that countries should specialize in certain products that they are good at producing and buy from other countries what they are not good at producing, so that the economy is more efficient. What kind of efficiency is it, when the pieces of a product are sent half way around the world to be assembled in a country with cheap labour, then shipped back to be sold? It may be profitable, but it is a waste of time and energy as well as resources--not to mention all the damage that is done to the environment by moving products all over the world that could be produced locally. But the logic behind commodity production is to do whatever you can to get people to buy things, whether they actually need them or not. Huge amounts of money are spent on marketing. But what would be the place of advertisements in a free society? Efficiency should mean something like: satisfying the needs of the population with the least amount of work. Advertising is meant to get people to buy things that they don't need. Where is the efficiency in that?

Also, the capitalists control the institutions of research and development. The kinds of technologies that we put our efforts into developing are things like the <sup>3</sup>terminator seeds<sup>2</sup>--genetically engineered seeds that produce plants with sterilized seeds, so that farmers cannot save their seeds and have to keep buying them year after year from the big biotech companies. The specialization that is supposedly so wonderfully efficient is another word for oppression. Some people specialize in making decisions and making profits. Other people specialize in doing work or being poor. The problems in society cannot be solved with new technology. They are problems of social organization. The question must be <sup>3</sup>how do we reorganize society?<sup>2</sup>

In the period before the official abolition of slavery in the United States, different critiques of slavery were circulating. Some people were calling for the complete abolition of slavery. These people were labelled <sup>3</sup>dreamers<sup>2</sup> or <sup>3</sup>utopians<sup>2</sup>. Others--the <sup>3</sup>practical<sup>2</sup> people--thought that slavery was in need of reforms. True, it was cruel and inhumane, but the way to change that was gradually. They proposed a slow reduction in the size of the whip with which slave-owners were legally allowed to whip their slaves.

Reformists today make similarly shortsighted arguments. They tell us that oppressors and oppressed should work together. They tell us that things happen slowly and that

are currently in jail, and about 1 in 3 Black men in the US will go to jail at some point during his life. There is a racist dynamic to the increase in economic inequalities. They follow old colonial patterns. The people that profit most from the global economy are white people. The people who are most oppressed by the global economy are people of colour.

Similarly, the people who profit from capitalism are overwhelmingly men, while women are the most oppressed by capitalism. In 1997, Zimbabwe had a Structural Adjustment Program imposed on it. As school fees doubled, female children were the first to drop out. As health spending by the government was cut by a third, the number of maternal deaths during childbirth doubled.

In many cases, as men become unemployed, women have to get a paying job, in addition to doing the unpaid labour to maintain the household. In the world today, women do 2/3 of the work hours and yet receive only 5% of the wages and own less than 1% of the property. Of the 1.3 billion people living on less than a dollar a day, 70% are women.

The entire planet is in a state of low intensity civil war. The ruling elite profit off of the exploitation of the rest of the world. When hundreds of Mexicans die every year, trying to get across the US-Mexico border--many dying of thirst in the desert--that is an act of aggression. When 30,000 people a day die easily preventable deaths, that is an act of aggression. When people's housing is taken away and they are forced into the street, that is an act of aggression. When people are forced to work under totalitarian conditions, that is an act of aggression. When toxic chemicals are dumped where people are living, that is an act of aggression. When people are denied basic necessities, that is an act of aggression. When protesters in Quebec, Gothenburg, Genoa or Washington D.C. are beaten, tear-gassed or shot, that is an act of aggression. In 1989, there was a huge protest in Caracas, Venezuela, against the IMF, after the price of bread rose 200%. The police and military were called in and opened fire on the crowds. More than 200 people were killed before the Caracas morgue was filled up and stopped keeping track.

Unofficially probably more than a thousand people were killed. That is war, class war. It is not something new. It has been going on so long as there have been rich people and poor people, so long as there has been a class of people who make the decisions, and a class who have no control over their lives. And it will continue and intensify with the expansion of "free trade". When US Space Command issued a document called Vision 2020, calling for orbital gun platforms with laser weapons that can fire on the earth below, the report said that the weapons would be necessary as "the globalization of the world economy will continue, with a widening between 'haves' and 'have-nots.'" US Senator Bob Smith summed it up when he said, "It is our manifest destiny... You know we went from the East Coast to the West Coast of the United States of America settling the continent and they call that manifest destiny and the next continent if you will, the next frontier, is space and it goes on forever."

it was implemented in 1994, it has had a devastating effect on all three countries. In the United States hundreds of thousands of jobs were lost, as corporations relocated their manufacturing to Mexico, to take advantage of cheap labour. The new jobs that were created were mostly part time, temporary and non-union. The average real disposable income in Canada decreased by 8% since NAFTA. In all three countries real wages and standard of living decreased. The FTAA is a proposed treaty that will extend NAFTA to all of North and South America. It is set to be implemented in 2005.

The expansion of "free trade" does not only remove tariffs and similar restriction on the easy flow of capital. It also seeks to remove "non-tariff barriers to trade". This is where the World Trade Organization (WTO) comes in. It is an international institution, created in 1994, that takes the place of, and vastly expands the GATT. One way that it does this is by encouraging the privatization of public services. Another is by settling international trade disputes. Any government, acting on behalf of a corporation, can challenge the acts of another government if they "interfere with trade". Complaints are taken to a WTO dispute resolution body--made up of trade lawyers and bureaucrats--which then makes a binding decision.

In one such case, the Venezuelan government, acting on behalf of its oil companies, brought a case against the United States. It claimed that the US Clean Air Act of 1990 was a non-tariff barrier to trade. The Act required that gas be produced that was cleaner and polluted less. Since the starting point for required improvements was based on pollution levels caused by gas produced at the time by US companies, and since Venezuelan oil companies tended to produce more-polluting gas, the Venezuelan government claimed that the Act was an interference with "free trade"--it was unfairly biased toward US companies. The WTO ruled in favor of the oil companies, and the Clean Air Act was modified to allow more pollution.

NAFTA too attempts to remove non-tariff barriers to trade. Chapter 11 of NAFTA requires that domestic corporations and foreign corporations from other NAFTA countries be treated equally. It also allows corporations to sue governments if they harm their profits through any unfair barriers to trade. In one case, Metalclad, a US-based waste disposal company, sued the Mexican government. The government of the Mexican state of San Luis Potosi had refused to allow Metalclad to build a waste disposal facility, after a geological survey showed that there was a risk that the waste would contaminate the local water supply. Metalclad claimed that this was an unfair expropriation of their profits. The NAFTA tribunal ruled in their favor, and the Mexican government was forced to pay Metalclad \$16.7 million in compensation.

There are a number of other cases under both NAFTA and the WTO. In the vast majority of these cases, the tribunals have ruled in favor of the corporations. This means that the definition of "property" is being expanded to include, not only what is currently owned, but profits that could potentially be made. By providing corporations with a tool to override governmental decisions, NAFTA and the WTO (as well as the proposed FTAA) shift power even more into the hands of the elite.

Another important factor to take into account when looking at the global economy



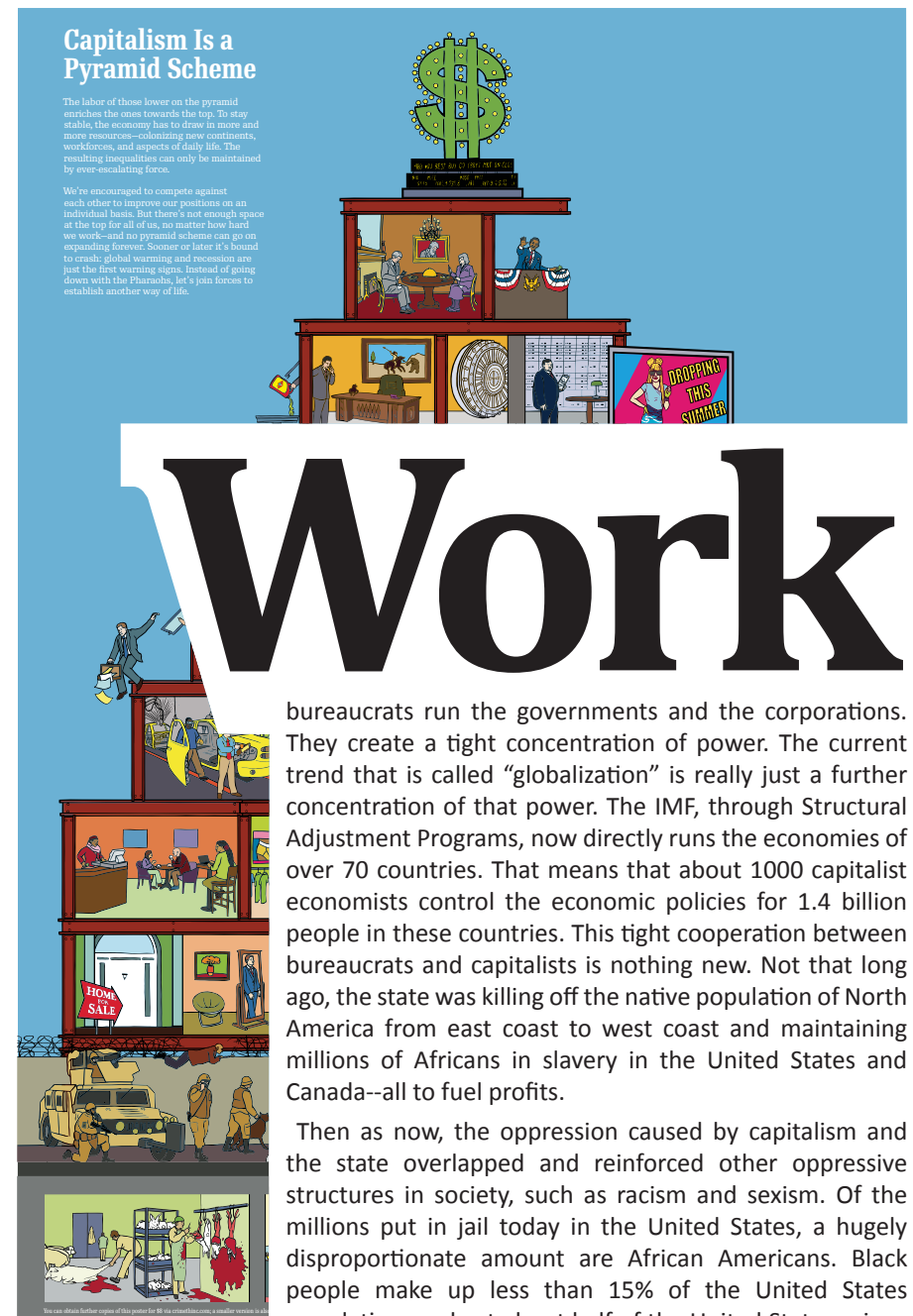
is speculation. Speculation is short-term investment. It has very little to do with actual goods or services being traded. Speculators make their money off tiny fluctuations in the relative prices of currencies. Recent deregulation of the movement of capital along with developments in computer technology have made it possible for huge amounts of money to be transferred half-way around the world in a matter of seconds. This has greatly increased the amount of speculation. Whereas world trade associated with actual goods and services is estimated at \$7 trillion a year, speculation is estimated at \$1.5 trillion a day! This means that if a country's economy starts to slow, billions of dollars can be transferred out of it instantaneously, which can escalate the problem dramatically. This is what happened in 1997 to a number of countries in East Asia, with brutal consequences. In Indonesia, 1/2 of businesses declared bankruptcy. More than 20 million people lost their jobs within a 1-year period. 250,000 clinics were closed, infant mortality jumped 30% and now over 100 million people in Indonesia are living in poverty.

Perhaps one of the scariest things about speculation is that it exerts tremendous pressure on the internal politics of a country. If a country were to raise the minimum wage, nationalize some industry, enact too strict environmental laws or interfere in some other way with profits or the political atmosphere necessary to make profits, its economy could be ruined very quickly.

With the weight of speculative capital, the relative economic power of corporations, the ability of international organizations to overrule governmental decisions and all the rhetoric about "reducing the role of government", one might be lead to believe that states are becoming less and less important. This is not true. States have been and continue to be major actors in the economy.

Strong states do not step aside to allow "free trade" to go on. They manipulate trade agreements in order to ensure profitability. Governments, if they are strong and rich enough, insist on tariffs and protectionism in areas in which they are weak. Amidst all the rhetoric about "free trade" during the Reagan presidency, protection for US industry (in the form of restrictions on imports) was doubled. Only when a state has built up various strong industries do they try to get other governments to "open up their borders", so that their corporations can move in and out-compete all the domestic producers. Free trade opens up a poor country's economy to competition with strong, developed, well-financed, multinational corporations. The result is that most of the local producers go out of business. This leaves a poor country's economy entirely in the hands of the transnational elite. It is a form of colonization. Rich countries force poorer countries to open up their markets, and then take them over. It is no coincidence that the loudest voices for "free trade" come from the richest people in the richest countries.

States run the economy in other ways as well. Government funds are simply given to corporations, under the pretext of "attracting business". When corporations run into trouble, governments often give them huge amounts of money to keep them in business. 20 of the top 100 multinational corporations have been "bailed out" in





or what will be done with the product. You are paid to do what you are told, and if you don't, you are fired. You could quit, but then you would have to get a job in some other place where you have just as little say in what goes on. Decisions are made by the elite in government and business for the purpose of making profit and ensuring the climate necessary to make profit—the climate in which there is a ruling class and a working class. This means ensuring that there is enough inequality and poverty so that there is a class of people who are forced to work for others. This wage slavery and class oppression are built into the very logic of capitalism.

The main argument given to defend capitalism and “free trade” is that profits for the rich will make everyone better off, by trickling down to the rest of the population. This is utterly ludicrous. If an entire interlocking political and economic system is designed to make profit for a small rich ruling class, by exploiting the rest of the population, it should be of no surprise to anyone that this is what happens. It would be truly miraculous if taking from the poor and giving to the rich somehow made poor people better off. This Reaganite propaganda is reserved for public speeches, however. When talking internally, the ruling classes are somewhat more honest about how the logic of capitalism plays itself out.

In an internal memo in 1991, the World Bank's Chief economist at the time, Lawrence Summers, argued that more polluting industries should be encouraged to relocate to poorer countries. A polluting industry tends to increase the chances that people in the surrounding area will have health problems. If pollution kills someone or makes them unable to work, the cost to the economy (or to the industry in the case of a lawsuit) would be roughly equal to the projected wages that that person would have earned in the rest of their life. In a country with low life expectancy and low wages, this cost will be lessened. Summers writes, “I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that.” Summers was later appointed United States Treasury Secretary, under the Clinton Administration and is now president of Harvard University.

Capitalism does not help the poor. It creates poverty and inequality. (\*1) Since 1950, the total dollar value of the world economy has increased 5-fold, while the number of people in absolute poverty has doubled. The 3 wealthiest people on the planet are now wealthier than the 48 poorest countries. In the past few decades, almost every country in the world has seen a decrease in real wages and an increase in income inequality. From 1994 to 1998 the total wealth of the 200 richest people in the world more than doubled to about \$1 trillion (\$1000 billion). Today about 1.3 billion people survive on less than a dollar a day, and about the same number do not have access to clean drinking water. Approximately 3 billion people (half the population of the world) live on less than 2 dollars a day; and 2 billion people (a third of the world) are suffering from anaemia. The state of the world today is not the result of some abstract natural laws. It is the result of a specific set of interlocking institutions. These institutions are designed to generate massive wealth for the few and poverty for the rest. Capitalism is and has always been in league with the state, not opposed to it. The same people who make the decisions make the profit. The same small class of wealthy capitalists and

this way, and almost all of the others have directly benefited from either government subsidies or protectionist trade policies.

Another important way in which governments prop up the economy is with the military. Governments, especially the United States, spend massive amounts of money on the military. This money goes to big corporations and subsidizes their other activities. The main reason that the United States is a leading manufacturer of civilian airplanes is because of all the money that the state gives to airplane manufacturers in the form of defence contracts. The subsidies to the industrial base of the military prop up a large part of the US economy, especially the high-tech sectors. This is why US defence spending barely declined at the end of the Cold War. It was needed to keep business running.

Of course this doesn't mean that the military is unimportant. It is used against domestic dissidents, like a police force. It is also used to expand markets and keep international dissidents in line. Governments of poor countries that try to take control of their own resources and develop their own economies (instead of remaining areas of cheap labour and raw materials for rich countries) are declared enemies and attacked, officially or otherwise. This has been the case with many countries, from the Soviet Union to Nicaragua to Yugoslavia. In fact, the IMF, which had contributed to the economic chaos that led to the war in Yugoslavia, was already, in 1999, drawing up plans for the restructuring of the Yugoslav economy, while the United States and NATO forces were still bombing.

Government spending on the prison industry serves a similar function as military spending. In the United States, there are many private prisons - prisons owned and operated



• Margaret Thatcher, Ronald Reagan - G8 Meeting - 1985 Bonn, Germany



## PART 3: CAPITALISM AND CLASS WAR

by corporations but paid for by the government. This means that the more people there are in prison and the longer their prison terms, the more money the government gives to the corporation. As “free markets” have expanded, so have prisons. The US government now spends \$35 billion a year on prisons. Imprisonment rates in the United States are 4 times what they were in the 1960s. The United States now imprisons more of its population than any other country in the world, over 2 million (with another 4 million on parole).

States are not becoming less important, but they are changing. They are changing in a way that benefits the elite, and harms everyone else. States are making cutbacks in services that they were forced to provide by pressure from popular political movements: education, healthcare, welfare, food and housing subsidies, environmental spending, etc.... They are increasing spending on things that tend to protect the ruling classes and their profits. In most free trade agreements, intellectual property rights are strengthened, and along with the expansion of “free trade” comes more prisons, more military spending and more police. When a state is forced to give in to democratic pressure, new ways have been developed to overturn that. The WTO dispute resolution body and the NAFTA tribunals are made up of elite trade lawyers, judges and bureaucrats, who can override government decisions.

Why then, does anyone believe the rhetoric about “free markets”? Because the major media, as well as the education system are also run on “free market” principles. TV and radio stations, movies and newspapers all have to make a profit. They do this by selling advertisements. A newspaper that prints radical material will simply not get advertisers. It will be out-competed on the “free market”. In order to get advertisers, critical content must be kept to a minimum and news must be sensationalized. In the US today, 10 corporations own almost all the media, and 2 corporations control half of all book-selling. In the United States media, critical discussion of capitalism is approximately as frequent as critical discussion of the activities of the Communist Party was in the Soviet media. Under these circumstances, the only interpretations of the world we hear in the mainstream media are from people like ABC correspondent John Stossel, who once said, “I have come to believe that markets are magical and the best protectors of the consumer. It is my job to explain the beauties of the free market.”

Behind what is called “globalization” behind “free trade” behind Structural Adjustment Programs and debt payments, at the root of the problem with the economy, is capitalism. Capitalism is the economic system based on accumulation of money (capital), private property, commodity production and markets.

In a capitalist society, things are produced to make a profit. These things are called commodities. In order to make a profit, there must be a “demand” for the commodities--there must be someone who wants the commodity and has enough money to pay for it. The price of the commodity must always be higher than the cost of producing it, so that the producer makes a profit. The problem is that there are many things that people need that they may not be able to pay for. If people have no money, for example, they still need food. Unfortunately, it is simply not profitable to produce food for people who do not have enough money to buy it. So it is not done. Today about 1.1 billion people in the world are undernourished. This happens not only with food, but with almost everything. In almost every area, the economy could produce much more than it does. To produce more, however, would be “inefficient”--it would not be as profitable.

It is not the actual producers who make the profit, however. Under capitalism there is a small class of people who have accumulated money (capital) and who can buy and own fields, factories and workshops. These capitalists then hire people to work for them and produce for them. They pay their workers a small amount of money to work for them and make all the profits off their work. People who work for capitalists do not do so because they want to, they are forced to. If you don’t have capital to live off of, you have no other choice but to sell your labour and your time. If you don’t, you will have no money to pay for the things you need. You will have no place to sleep and nothing to eat and eventually you will die. Capitalism forces most people to sell their labour and their time to the rich. This is both a form of slavery and a form of theft. Most people spend their whole lives working and get very little for it, at the same time as the owners of the corporations they are working for get richer and richer.

There is no democracy here. At your job, you have no say as to what will be produced