



Dialogues Series: Money Talks 2003

3rd roundtable: The Global Marketplace 3.23.2003

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Guest speakers: Doug Henwood, Analia Penchaszadeh

Seth Ackerman: Last time we talked about the National

economy, and most of that was dominated by the big event of the current economy, the recession or downturn that seems to have been going on in one form or another for the last two years or so. But at the global level, I thought we would maybe we would start with Doug and ask him what... They say, "When America sneezes, everybody catches a cold." What has the effect of this recession from the United States been on the rest of the world? And particularly, what has been happening with developing countries?

Doug Henwood: Well, the rest of the world's economy wasn't in very good shape, hasn't been for almost twenty years. Europe has been pretty stagnant. Japan has been on the verge of crisis for more than ten years. Latin American economies have certainly been in and out of recession, depression, crisis, panic (or whatever nouns you want to use). Africa, of course, has been deteriorating completely for at least 20 years. There are some bright spots in Asia. China, of course, is experiencing growth rates that have been almost without precedent in economic history. But elsewhere, South Asia has not been doing so well. There are some good strong growth reports from India, but that's not really being spread around all that well. The Philippines and Indonesia have not been in very good shape. Asia had its big financial crisis in '97, '98, and it's only partly recovered from that. So for most of the 90's the United States was the strongest of the major economies, and that helped keep things going elsewhere in the world, particularly in those Latin American countries like Mexico, who the U.S. has a strong trading relationship with, and also in some of the Asian countries that were heavy exporters of electronics products. Yes, recession has put a damper on those countries that depend heavily on demand from the United States. Now one of the long term structural problems the world economy has is that large portions of the outside world are very dependent on demand coming from the United States, which, from the United States' point of view, heavy imports and a very big trade deficit and a chronic current account deficit, all of which was financed with money borrowed or otherwise raised from foreign investors. So the situation was that much of the world's economic health depended upon imports from the United

States, but the other side of it was the United States was running up large foreign debts in order to pay for those imports. So many people have been waiting for this arrangement to reach some sort of crisis, and it hasn't yet, but everyone wonders when the United States is going to get to the end of its free pass, of borrowing and borrowing and borrowing heavily in order to keep paying for its large import bill. There hasn't been a crisis yet, but somehow this arrangement can't go on forever, somehow it's going to come to an end, and one of the big structural questions facing the world economy now is how it's going to come to an end and what the world would look like after it did. But like I say, it hasn't really yet reached that crisis point.

SA: I want to come back to that issue of the structural imbalance in the world economy in a minute. In the meantime I want to go back, now that we've heard the global overview, to hear what the situation was in the golden years in the 90's when people were talking not only about how strong the American economy was but how globalization was making those countries who had made the right choices and implemented the right policies to enjoy prosperity and growth. Argentina was probably the leading example of that. It was a case study, it was a model economy in the eyes of the IMF and the World Bank. I think maybe we should get to explaining what was happening in the 90's when Argentina's economy seemed to be doing pretty well.

Audience: What would a model look like? Why would they have considered it a model?

Analia Penschazadek: Argentina started running up an external debt in exponential figures starting in the 1970s with the military dictatorship. So by the time it entered the mid-80's when it was back to democracy, it suddenly had this huge debt that it needed to start paying off. And it put the country in a difficult bargaining situation with the World Bank and particularly with the International Monetary Fund that was handling most of the debt. What the World Bank and the IMF were saying to Argentina was, "We will keep lending you money for you to be able to pay off your debt if you start transforming your economy through programs, what are called Structural Adjustment Programs, of fiscal responsibility.

SA: And when did this begin?

AP: This began in the late '80s, around '88, '89, with the transition of the government to [President Carlos) Menem, who was president for ten years.

Audience: What were these programs?

AP: It's the Structural Adjustment Program, which was a package between the World Bank and IMF, of development, on one side in terms of infrastructure, but of forcing different kinds of economic measures, particularly the privatization of public services and public industries. So Argentina has a huge oil industry, and that was all public, and then it was in the 90's that they had to privatize the oil company. That was huge, in terms of then suddenly losing a lot of jobs, but also losing the oil revenues.

Audience: Who designed these structural adjustments that were supposed to be implemented?

AP: Who designed them? Mostly some guys in Washington D.C...?

SA: Maybe Doug wants to expand on that issue. It's a very good question.

DH: The IMF and the World Bank always claim that they don't have a cookie-cutter approach to the world, but in fact they do. They have pretty standard package, which involves privatizing anything that's in public hands -- and now there's very little left to privatize so they run out of that one. Cutting back on social spending, any kind of welfare provisions, any kind of what they call 'rigidities in the labor market,' which means generous unemployment benefits or public jobs programs, those have to get eliminated. Anything that they perceive as an obstacle of the working of a pure free market that exists only in their heads. So that's the ideal, and it's applied to every country, regardless of its economic structure, its political history, its social structure. It's just the standard package. And it's been about twenty years now that they've been pushing this. If you go back to the 50's, 60's, and 70's, a lot of countries, in Latin America in particular, had erected a whole bunch of barriers to imports. The idea was that by making imports difficult or expensive to get, this would encourage the development of local industries. It worked in some cases, it didn't work in others. It worked very

well in some of the East Asian countries, Korea in particular. It worked half-well, sometimes, in Brazil. It didn't work very well in Argentina. These systems are always subject to a great deal of corruption, and the orthodox critique coming out of the IMF has a grain of truth in that when there are barriers to imports that reduces the level of competition so you can end up with a lot of inefficient domestic industries that charge high prices and produce a lot of crap. That was the case with a lot of Mexican industry. Now, it's very, very difficult for a country to develop without some kind of protections against imports. The United States, in the 19th century made it difficult for European imports, so you need a confident state to make sure that that's not being done corruptly or incompetently, in a lot of Latin American cases that wasn't the way it worked, it was indeed often corrupt and badly done, but on the other hand the IMF prescription which involves just stripping away all the protection, stripping away all the state intervention, stripping away any notion of planning or direction coming from the state, that produces very bad results, uniformly bad results, there's almost no- I can't think of a successful example of a country that pursued this, the IMF likes to point to Singapore for example as a success story but Singapore had a very interventionist government, they actually discouraged the growth of low wage industry and subsidized or encouraged the growth of high wage industries, encouraged a lot of technology transfer. Korea did very similar things, they engaged in what the IMF calls financial repression, that is they regulated the financial markets very strongly, did everything they can to direct capital into the areas that were favored by the planning ministries, so it was a successful case of capitalist planning, of course this is verboten in IMF land and any other countries, the Korean stayed with some corruption, but not a fatal level of corruption.

SA: Its interesting that the IMF does, people ask them, well show us an example of your model that worked in a particular country, its surprising how many times in the past they've come up with an example that was not the model. Korea was, maybe not by the IMF itself, but certainly by its publicists, was often, before the Asian Economic Crisis, was pointed to as a country that succeeded because of its lack of government intervention.

DH: Well Japan too. The argument they always make is, well yeah the state (?) mechanisms weren't really important, which was a complete lie. But that's what they were saying in the early 90s when it was clear that Korea was doing very well and not too many other places were so they had to explain this. The Japanese

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government actually paid for a special study for the World Bank to look at this Asian model of development. They started out by praising this and then by successive drafts of the report internally watered this down more and more, until it said they were really doing this the way we wanted them to do and whatever success they had was in spite of the interventionist state mechanisms. Its funny to go back and read old IMF and World Bank literature, because in the early 90s Mexico was the example and then Mexico had a crisis in 1994 and it ceased being the example and then Argentina became the example and Argentina was doing everything right, so if you read the country reports the IMF and the World Bank were putting out in '97, '98, even '99, Argentina was getting A+ grades it was doing everything right and then Argentina had one of the greatest economic collapses in modern history. They never get called to account for how this happens, how the success story becomes a failure story.

SA: And its funny because I remember back, just before the Asian Economic Crisis happened this was in early 97, Nicholas Cristoff, who's now famous because he's a New York Times columnist, at the time he was the Tokyo bureau chief for the times and he wrote this sort of think piece in the week in review section, again this is early 97, it was about Africa, and he said well Africa can learn a lot in development from the East Asian countries like Japan, Korea and Taiwan. And he sort of boiled it down in a nutshell and said they can learn from East Asia's fantastic success is that they got the government out of the way of the economy and ran a free market economy and said this was responsible for their success. Well about a year later obviously the big story was the crisis and everybody was trying to explain why the crisis had happened in East Asia among these countries that everybody had said were so successful. Cristoff was still the Tokyo bureau chief and he wrote another think piece, this time explaining East Asia's failure and why did Asia fail?, well again he boiled it down to a nutshell which was that they had gotten the government so involved in the economy, and had stymied the free market so badly that inevitably it was going to screw up. In the space of a year, his assessment of this entire story had changed, so a lot of historical revisionism is necessary to maintain this line, and I think Argentina is probably a good example.

Audience: I just want to ask a quick question just for clarification, I don't know if anybody else needs this but I do. The distinction between the World Bank and the IMF and the control that they wield as who they are, would be really helpful.

I want to ask you to go back also and talk about the development of each program for what purpose...

AP: I'll start and ya'll can help. After world war II there was a bank created to help the reconstruction of Europe and so they had this meeting at this place in Bretton Woods and they created the Bretton Woods institutions that were supposed to help finance reconstruction and development and help move a global economy and its three different institutions, two that were created right then and then the third that was then being built, which I'll talk about in a second. SO the world bank, the mission is, for real, to alleviate poverty and poverty reduction, that's its mission, they run a lot of the development programs so they're the ones who have traditionally done a lot of the support around building things, building the dams, its one of the things that they're known for, destroying huge communities in order to have more energy for a country, the international monetary fund was more the financial institution, so although the world bank is called a bank, it's the IMF that manages loans. Right? Is that...?

DH: They have sort of a good cop, bad cop, role too. The World Bank is historically supposed to lend long term money for development projects and the IMF is supposed to be the homey images they use are like the emergency doctor, when a country gets a crisis, suddenly a crop failure, or some kind of weather disaster, this was the original thinking was that if it had a crisis of some sort and hit a bad spot and needed a little loan to tide it over until things cleared up, the IMF would come in and make that loan. But the problem with this is that most of the countries that are clients of these two institutions are in a structurally inferior role so they're constantly going in and out of crisis, they have great technological abilities, they're always in debt, they're lucky if they can stay in place-they're more likely to keep falling behind the leading countries like the United States, so this is really a chronic structural situation of increasing debt, and increasing technological backwardness, leading to going in and out of economic crises, so the idea of the IMF as this emergency doctor has now been transformed to that it now runs scores of countries economies more or less. According to the dictates of neoclassical economics, as Jim O'Connor the UC Santa Cruz economist describes economics is a criminal enterprise and this is a perfect example of it, there role has been intensified in the last 20 years, after Mexico started the debt crisis, they're restructuring everywhere on earth. They say, well if you just have a couple of years of pain while you liberalize and get in tune with a market model

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it'll pay off in a couple of years and that payoff is constantly deferred it never happens so they get in even worse debt and the IMF comes in and says well you need even more pain, well its really like blood letting.

Audience: Are the IMF and the World Bank businesses, or are they non-for profits that are fed by...?

AP: They're not for profit, they're run by governments that put money into it, right, so its run by the lender government, because what happens then it that in addition to the debt that they own to the world bank they also have bilateral loans, so the US will lend money directly or specific banks, Citibank primarily, will also loan, so what the IMF tries to do is provide loans so the country will be able to pay off the interest of the other loans. So it's really complicated, it's not a single institution that you owe money to. The IMF tries to consolidate; you know how you have all these different debts, so lets figure out a payment plan for all of these different pieces.

SA: But this can also be used in effect as sort of a bailout for creditors for lenders as has been pointed out a lot in the past few years when the US has had to come up with money for the IMF because when you have a debt consolidation loan, the debt consolidator gives you the money so you can pay off your other creditors and they you shift you debt from your other creditors to this consolidator. So its sort of like, the IMF is a public institution, a global public institution, and it can have the effect of sort of making sure that the private creditors get their money back. In other words the banks. And this is a criticism f the IMF's role which was, of course, furiously denied, especially in the late 90s when these issues came up all the time. Robert Rubin who was the treasury secretary was constantly being inundated with criticism from people like Ralph Nadir even from a certain segment of the right wing, who believed that the government shouldn't be in the business of bailing out banks in this way, so there's also that distinction to it that it sort of alleviates the burden to the lenders, to the banks of having made bad loans, loans that they shouldn't have made in the first place.

AUD: With public money.

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SA: With public money, yes. The IMF is funded with a quota a subscription that every country in the world has to give to it, just like the UN is. So the US has the biggest economy, gives the largest amount of money and it has-

AUD: And do they stay up with their dues...

SA: Oh of course, they've never missed a payment.

DH: The US keeps up with certain dues, that and the OECD which is a kind of rich country think tank based in Paris, they do our work for us, but the IMF and the world bank are technically part of the UN and they're supposed to be public institutions owned by their member governments, but the voting structure of both these institutions makes the security council look democratic.

AP: Its one dollar, one vote.

DH: Yeah, its basically weighted towards the size of the economy, so the United States has 18% of the vote and curiously enough-

AUD: what next after that?

SA: Its Japan right?

DH: Yeah Japan, the big European countries have about 5% each and then after that it gets very tiny so Cameroon has one tenth of one percent or something. Its also curiously structured so the veto that resolutions have to pass with more than 92% of the vote so that the US has effective veto power, no other country has that power. Interestingly, according to the charter of these institutions the headquarter has to be in the country of the largest shareholder, in the largest shareholding country. If the EU ever got together and formed as a political entity that would make it the largest shareholder, that would make it the largest shareholding country, which of course the United States wouldn't let happen but it is a potential trouble spot.

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SA: But every time, that these quotas of the shareholder, the size of the share are determined by how big your economy is, and the US's share of the world economy has declined in the last 50 years, so periodically in the past, especially in the 1970s I believe, they had to change the voting, the US had to round up- it was in danger of losing its position of veto power because there was a certain percentage of vote you had to have and America was in danger of losing that percentage, so it had to round up Saudi Arabia and some other countries to get them to vote to change the rule, to reduce the percentage of the vote you need to have to have the veto so that the US can continue to have a veto.

DH: The MIT economist Rudy Thornbush, who died last year, said a few years ago that the IMF is basically a toy of the United States to pursue its economic policy abroad. It is rude to say that so baldly in public but he was right that it really is effective a tool of the US government.

AUD: (inaudible) certain third world countries during the Cold War?

DH; Yeah they let Korea get away with a lot, as a the President of Brazil said, I can't remember which one, Korea got away with a more radical land reform- a government in Brazil was overthrown for a land reform that was less radical than the one that Korea got away with and the reason was that they were afraid of the communist example and also Korea was sort of able to play Japan and the US against each other, it had to imperial masters, which in that case was a good thing, and so the united states always cut Korea a little more slack than it would otherwise. And if you look at how the IMF has treated Turkey, with much more indulgence until very recently, when the Turkish parliament made a bad vote, but until that happened Turkey got off a lot more easily until Argentina did. Argentina they let hit a wall, while they were always extending loans for turkey.

SA: But even, since September 11, Turkey, Pakistan, and some other countries that have been useful to the United States, have suddenly gotten these packages from the World Bank that have been much more generous than the bank normally gives to countries.

AUD: Are these appointed officials? I mean, who's running these organizations? Are they presidentially appointed, who are the men and women behind them?

SA: Every member of the IMF gets a share of the say, and the votes that they exercise within the governing council, the votes are done by the countries representatives called the executive directors, so the US has an executive director our sort of ambassador to the UN who makes our votes-

AP: Who are appointed by the administration.

SA: It's a treasury department position.

AUD: So it gets reappointed each administration?

SA: It's like the secretary of state; it's completely up to the President to decide.

DH: The president of the World Bank has always been an American, and the executive director of the IMF has always been a European.

AP: So I wanted to just move us on to the third piece of the Bretton Woods Institution, cause I think then it connects a lot of the more current things that are happening as we listen to all these alphabet soups. SO there was the World Bank, the IMF, and then the third piece being the World Trade Organization that started being negotiated many decades later and that's part of the original thinking of, if we were helping to do development and were helping to create stable governments and stable economies then how do we start building this global economy. And so that's when they started negotiating the general agreement on trades and tariffs that started building the World Trade Organization, so when we start hearing the free trade agreement, NAFTA, the North American Free Trade Agreement, the Free Trade Area of the Americas, its all part of the same structure, the Bretton Woods Institution, these guys came together and said after World War II how are we going to rebuild this world, definitely within the context of the Cold War and how do we do it to our benefit, in our interests.

AUD: So there was a vision of a global economy way back in the forties?

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DH: The original architect was John Maynard Keynes and he had a different idea of what it was supposed to look like, it was supposed to be cooperative, sort of like the UN of our fantasies, sort of collegial, multi-lateral institution, it was not supposed to be the kind of institution that would force countries in trouble to cut their budgets and bleed, it was supposed to be just the opposite. It was supposed to put the burden of the adjustment on rich countries, surplus countries who were supposed to make a little sacrifice for the people who were suffering. Obviously, Keynes' ideas were very different from what the US wanted to see happen.

SA: Well it got watered down in negotiations with the American representative who was Harry Dexter White, who was also a Keynesian, and some people have said a communist spy, but who under orders from Roosevelt and Truman was forced to water down some of the more radical visions. In Keynes's original plan, we talk about all these debtor countries who are forced to change their economies in order to pay back their debts, well in Keynes's plan as Doug alluded to, the burden fell on the surplus countries, so if you lent money, if you were a net lender to the other countries it was your job to adjust to the situation by expanding your economy to suck in more imports from the debtor country and balance things out. Now it's exactly the opposite, it's the obligation of the debtor country to cut their spending so they don't import as much from the surplus countries.

AUD: Are there any global institutions that are more consistent with the original vision?

SA: Well in UNCTAD, The UN Council on Trade and Development, was built by the third world countries I think in the 50s or 60s as a counter-weight when they realized they had no influence on the IMF, it has no actual authority to do anything, but it did very good work in research.

AUD: If the US is a debtor country- it's running a huge current accounts deficit, how has the dollar managed to stay so stable, I mean the normal thing is for investors to buy in dollars...

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SA: Before we answer that question, I see Melanie has a panicked look on her face...

Melanie: How can we be a debtor country, I don't understand that...

DH: Now the United States is importing something like 400 billion dollars a year more than it exports, so in order to finance that deficit you have to get money from abroad somehow.

SA: Borrow money from abroad.

DH: It can be borrowing from abroad, it could be foreigners buying American stocks, it has to be a regular inflow of money to the United States so that we can import more than we export. I just get allergic to these homey metaphors but if you spend more than your income you have to make up the difference somehow by borrowing. And that's what the United States is doing on a very grand scale. So for some reason, investors have not been very troubled by this arrangement and have continued to buy a lot of American assets and continued to buy American treasury bonds or buy us companies or buy us stocks.

SA: And explain what would happen if they stopped.

DH: If they stopped, the United States would look like Thailand in 1997, but to a very large scale. Now, it doesn't even mean they have to stop, all they have to do is slow down and the United States would have a problem. Now there's some sign that may be happening, we may be in the early stages of that, the dollar is losing a bit of its value against the Euro. But if the United States was an ordinary country what would happen is that the IMF would come in and say, you're importing too much you have to tighten your belt, which would mean cutting the government budget and forcing a deep enough recession-

SA: And no tax cuts. No Bush tax cuts.

DH: No, no, no, just the opposite, probably tax increases. Anything to slow down the economy so that we import less and export more, the effect would be what happened to Mexico in 1994, deep, deep recession. But the United States is not

an ordinary country so it has not been subject to that kind of discipline. Another way we get away with it that the dollar is the world currency, essentially, and most foreign central banks keep reserves, their spare cash in US dollars, and that means that they buy US treasury bills and short term bonds and they gain interest on these balances that they're holding. So I think there's something like a trillion dollars in US currency in these reserves now in US dollar assets. AS the Euro grows up and becomes a real currency as European financial markets get integrated and become deeper, then that will provide some competition for the dollar as a reserve asset. So it's another long-term question about if and when this is really going to become a very important matter, and will the United States become more like an ordinary country. At the very least if foreign investors become less enamored of putting all their money in dollars that would require the federal reserve to tighten policy-force up interest rates in order it attract more money into the United States. Right now you can get 1 ½ percentage points on a treasury bill, that's not very exciting. So if the Federal reserve would have to push up interest rates to say 3% it might attract a little more capital into here, that would be the orthodox response, but again the United States is not an ordinary country so god knows what would happen. I really have no idea.

SA: But another reason why the U.S. wouldn't end up like Thailand, even in our capital inflows, is because in the end, maybe it wouldn't be a pleasant option, but we could if we wanted to, is just start printing more money, which is not an option that Thailand has, because we borrow, because people borrow for the most part international capital flow are denominated in dollars, including ours, but also including Thailand's. So Thailand borrows dollars and if it doesn't earn enough dollars through exports to pay them back it can't just print more it can't just print dollars that's counterfeiting that's illegal, but we could, our debts are also denominated in dollars, if we wanted to, we could just literally have the federal reserve printing out more money.

AUD: Without massive inflation?

SA: Well, there would be inflation, but that's why I'm saying the IMF would not be forced to come to the rescue because in the end that option would be there.

AUD: So, the U.S. is importing...?

DH: 400 billion dollars a year more than its exporting.

Audience: So what's the advantage, it makes things cheaper to buy, if I'm walking down the street?

DH: Yeah, well electronics are imported, the shirt I'm wearing is imported, this pen is imported, everything you look at.

SA: SA: So the living standards of Americans would go down. SO if they stopped buying our assets, if they stopped inflowing, sending money to the united states and so that sound board would suddenly cost 30-40% more, so the living standards of Americans would go down, cause they prices for the goods would go up.

AP: And there would be an incentive to have more union made products from the United States.

SA: I did want to go more into what was going on in the 90s when Argentina was supposed to be this model economy that everybody else should follow.

AP: What was going on in Argentina?

SA: What were the politics of it, what were the economics of it?

AP: I'm actually always struck by people saying Argentina was doing everything right, what does that mean to do everything right? So we started to get into issues around privatization, what Doug was mentioning around social spending. So everything right means that suddenly, teachers were not getting their salaries, suddenly retirees can't access their social security check. So starting in the 1990s what you were seeing on the social side was people's salaries going down in the public sector, and you're starting to get, just to understand Argentina as a country, it's a huge country, with thirty million people, with the core of the economy in Buenos Aires, in the capital, but the country is very large geographically, and a lot of the provinces then depend of public sector jobs,

government jobs- government subsidies. So what you're starting to see in the '90s is starting to close the taps back out to the provinces. So your starting to see high unemployment in most of the other regions in the country beyond Argentina, and in the same time a very populist president, who's trying to make things ok in the country so then they want to peg, one of the things that they do was peg the peso to the dollar, its going to be one on one, cause in the eighties there was this huge inflation and people didn't know what the price of bread was going to be from one day to the other, so they wanted to stabilize that, so what they creates is just less money really around for folks, so you start to see a lot more social mobilization. So in Buenos Aires you have the retirees close down the streets on Wednesday, on Thursday you have the mothers of the plaza del mayo do their demonstration around human rights, so Friday you have the workers demonstrations, so everyday there's just different days of social movements starting to build and unemployment rates continue to rise as industries just can't continue operating in a profitable way. At the same time you have an incredibly corrupt government, so the world bank and the IMF are folks who think that they're doing the right think, well really the problem is your own corrupt government, which is true, Mennen was involved in narcotics traffic, he was selling arms to Ecuador, selling arms to Peru, inciting warfare in other countries, all these things are going on and all of the money is in his own bank accounts. SO its very complicated in terms of what are the right things to do in the measures that are being exacted on his people, so at the same time a very corrupt elite that's taking a lot of money.

SA: And now that the economy has collapsed, these popular mobilizations that you are talking about, give us a sense of what they're like politically, what are they demanding, what is the social face of it?

AP: So I think Argentina landed on the map of the New York Times and other media in December of 2001, when at that time, that's when they said the economy has just collapsed even though it was building up.

AUD: inaudible

AP: Several and so maybe Doug can explain this better than me, the IMF was saying your not doing enough, everything to comply with what we want you to do

to have a fiduciary, you know a good financial system. You're still spending too much on people's health care, you're universities are still free why is that, so were not going to keep loaning you money for you to pay interests on you loan. And the government said well were going to have to default and not be able to pay, so at the same time there is huge unemployment, there's building social unrest, and people are literally starting to starve, so there's very big social unrest, people looting wherever, its mostly the corner store, cause the big supermarket chains, if you compare the corner store to the Wal-Mart the Wal-Marts are all surrounded by armed guards. So you've got the corner stores being raided and people betting scared, its just outrageous. So if you go back six months one of the things that the government was trying to do is deal with the fact that folks aren't paying enough taxes, so they set a policy where everyone had to open up a bank account, it's a cash economy, you earn –you get your salary at the end f the month In cash, and not just day laborers, but everybody, journalists, people, my brother who works at a newspaper would go and cash his money and put it in his box at home, and this is how people did it. And Argentina was like, from now on folks have to do automatic, direct deposits into the banks and they're trying to encourage folks to open up savings accounts so you have the option of having your savings in dollars since its one and one and its pegged, you can earn lower interest but in dollars so that the money you put in you can take out in dollars or higher interest but in pesos. And a lot of people were doing the dollar thing. The suddenly says were freezing the bank accents, cause the bank system is about to collapse, cause were not able to pay, the IMF is not bringing money in, so were going to freeze people's savings. So that's why the middle class went up in arms. So they said you can only take out, if you go to the ATM, the bank, you can only take out \$250 a week, cause that should cover your expenses, everything else we need. So people were up in arms, it's their money that they've been forced to put it in in the first place and all of this happens at the same time in December, right around Christmas time, the huge lootings, all of this, and then the president finds nothing better to do than call a state of emergency, you cant be out on the street and that's when people suddenly went up, and in Buenos Aires, I was actually there on vacation or trying to be on vacation, its summertime in December, when everyone just came out on the streets you have the unemployment movement, who've been building their base, its not just overnight, which is really important to understand, none of it was overnight, the same with the middle class and the saver people, suddenly there's this cooperative of the bank savers, none of that can happen overnight, it was this crisis that was building up and there was this

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crisis where they came out on the street and said no more, and they stayed on the street for two straight days. And the President had to resign. And more presidents kept coming on.

DH: There were like five in a month.

AP: There were five in three weeks. But what happens is, once a president resigns, someone from the senate automatically becomes president and then they elect another president two days later, so there were five presidents in three weeks, because they kept coming up and folks were saying there's still no food on the tables you still haven't told the Wal-Mart's to open up the doors and just give out food, cause our kids are dying of hunger. And no one was able to fix that, that's why there are all these presidents. Again it's Christmastime, and it's very hot out and it's just a really bad time. So that's what happened in December of 2001. And then since then, they've undollarized the economy so they've unpegged the peso from the dollars, so now its three fifty pesos to the dollars.

AUD: What is the peso tied to?

AP: It doing its thing, what ever for the economy to get rebuilt. So then the government said, were going to start releasing the accounts, but all loans and all debts all transactions are going to be in pesos one on one, and people are saying well wait a minute we put the money in there as US dollars. So what they're trying to do is similar to what Doug was saying before of saying o.k. Well, lets contain the Argentinean economy so if it was one on one then, your going to get it in pesos, you would be able to spend it in Argentina just fine, but you can't spend it anywhere else. But now, just 2 weeks ago there was a lawsuit and the courts, incredibly enough, so that it was illegal and the government had to return the money in dollars. But it's been, a year and a half at this point.

AUD: inaudible

AP: I actually think you don't hear about it as much as there are, there actually are a lot of strikes but you have to understand that at this point there is 25% unemployment and so what you see and the most incredible movements are worker who are refusing to let their factories be closed down so the owner is

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saying were out, were closing shop, don't even bother coming to work. And they're saying no, they've barricaded themselves, the workers have barricaded themselves in the factories and they said you can't take the machinery, were going to continue to produce, and what's been amazing, it started being just a couple of different places, and what the government has done miraculously enough, who knows, someone had some sort of weird sense of brilliance, is that they've actually, the government has taken the property and has now given it to the workers and taken it with the machinery and are now renting it out to the workers not for a lot of financial transactions but in terms of who owns it, its still the government.

AUD: In other words the owner went bankrupt, wanting to see the equipment, the workers said up yours were staying, the government then reimbursed the owner?

AP: No they just said, you wanted to leave, you can leave, but you can't take your machinery with you. Cause they were abandoning the factories they weren't trying to sell them.

AUD: The profits from whatever they're making now goes to the worker?

AP: The workers are now running the factories. Its still in small scale, so there's maybe like 50 factories like that in Buenos Aires, it's a broader movement in other places, because its been happening longer, the abandonment of industries in other places in Argentina there's more, there's like seven in the south, it's a growing movement. Some of the questions in all of this, it goes to organized labor, is how do you build this to scale? SO then you've got all of these other communities that are building a bartering system, saying o.k. we don't have cash lets just trade, what do you need, I've got services, you've got food. But the real question is, can you really build those kinds of alternative economies to scale? And what's happened in terms of the trade union movement, is that the trade union movement is also historically very corrupt, so they wouldn't go on strike with Menem because the movement was tied to Menem cause he was a Personate. But now there's been a growing alternative union, or separate union, the Argentinean workers center. That's organizing on a class line rather than an industry line and saying were going to organize all workers, employed or

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unemployed, not just in the factories but in the communities, because of trying to build more of a working class constituency among the unemployed movements and the folks who are employed. It's the CTA, in Spanish its Centrale de Trabajo de Argentina.

DH: This is just the latest chapter in a very long decline for Argentina too. A hundred years ago, Argentina was one of the richest countries in the world. And its been heading down, down, down, with some pauses, pretty steadily for almost a hundred years. The reasons for this are that, it was initially wealthy because it was exporting grain and beef, mostly to Europe and that's really not a long-term strategy for staying wealthy, if you're just exporting primary products. And it never really developed a sophisticated manufacturing industry, so as a result of that it meant that Argentina was just losing its relative standing in the world economy steadily, steadily, steadily, but the former wealth is still thought of by a lot of Argentines as their birth right.

AP: Right.

DH: And that's one of the reasons why you have this popular mobilization too, its like hey were not supposed to be third world, this was all taken away from us, give it back. And the currency peg thing is a very important ingredient in creating the current crisis it was initially supposed to be a security blanket for foreign investors, they see the currency is stable, they're going to keep it was good as the dollar. SO we don't have to worry.

SA: The constitutional reform, it was not just a policy, it was inscribed in the constitution to make it virtually impossible to change, so that investors wouldn't be afraid they'd put their money in it and then they'd make a new law changing it.

DH: The problem was it was just overvalued; Argentina couldn't compete in the world with the currency valued where it was. And because it was in competition with other countries whose productivity was increasing it meant that Argentine goods were becoming relatively more expensive in the world markets. And in 1999, when Brazil devalued its currency, and Argentina didn't that had several effects for third countries that meant it was cheaper to buy Brazilian that it was to buy Argentine goods it was more expensive for Brazil to buy imports from

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Argentina and so that was one of the things that finally pitched Argentina into a crisis, was the fact that Brazil devalued its currency and Argentina couldn't. Its very dangerous when countries start devaluing in competition with each other, that's what happened in the late 20s early 20s, they had this series of devaluing competitions and countries just tried to devalue their way out of depression and ended up just devaluing themselves into the dirt but if your principal competitor and neighbor or trading partner devalues and you can't you've really got a serious problem on your hands. And initially the IMF and world bank were praising this currency arrangement as being really, you know, the magic bullet for creating investor confidence, and now of course they say it was much too rigid and inappropriate.

AUD: Inaudible...these countries still carry the debt and they're just financing the interest and so one of the things that was very interesting in the late 90s in terms of people thinking globally about economic policy was the jubilee 2000, that became riddled by many of the same things that would undermine the...World Bank and IMF to begin with...it seemed like you were going there...

AP: I think that some people believe, and I agree with them that Argentina has paid its debt over, seven times over in interest. Other people think, which I also agree is that the initial loan itself, that really went crazy, during the military dictatorship, and financed not only the pockets of the military but also the war against the United Kingdom, that it was an illegitimate debt and illegal, that it was irresponsible lending and outrageous borrowing, not just in Argentina but throughout the developing world there's a growing movement of people saying, we don't need to pay this anymore, we have to cancel the debt. And some people are using the argument that we've paid enough, and we have, and other people are using the argument that we never should have paid it in the first place, which is also true.

AUD: What level of finance are we talking about?

AP: Argentina owes a hundred and forty five billion dollars, almost a hundred and fifty billion dollars.

AUD: Do you know how much is interest?

AP: I don't off the top of my head.

DH: Oodles and oodles.

AP: It's a lot right? It's crazy.

AUD: It's not just the countries that are propagating this idea but its also...religious...and very powerful economists...I think Larry Summers.

DH: No it's not Larry Summers he's mister orthodoxy.

SA: Jeffery Sax I think.

DH: Jubilee comes from the Biblical concept of a jubilee every 75 years when debts are wiped out, and actually during his wacky presidential campaign in 1998 Pat Robertson endorsed this, it caused great distress at the Wall Street Journal editorial...

AP: There's a religious movement and there's a group in the United States called the Inter Religious Task Force On Debt and a couple of other foundations built this campaign Jubilee 2000 saying we've got to basically wipe out the debt as the same way as in biblical terms. And its actually been able to build a big constituency not just in developing countries but also in the US, across Europe, of organizations and politicians and stuff saying that the external debt is a real problem, that poverty is a real problem and that this is one of the ways to solve it.

AUD: If in the biblical sense, in 7 years, we did a revolution of seven years and then all debts were forgiven. I mean all, across the board, international debts to the IMF or World Bank, what would be the ramifications to the IMF and the World Bank? The reason for asking it in this way is because I am assuming that the farther we go into the future, the notion of globalization, whatever that may mean, is going to become common parlance however we define that. So financial institutions that have a global vision, I can't imagine are something that are going to disappear as we go forward, they're going to continue to exist, in the same way

that the UN, not as it is, but as a body, may continue to exist. So if everything were to be forgiven, would that mean the end of...

SA: I'd like to take a stab at that, I don't know what percent of Argentina's debt right now is owed to the multilateral institutions like the IMF and what percentage are private, or what percentage are bilateral, but I think in the case of the IMF loans, and I think World Bank loans, it was actually 50 years is Enough, maybe Soren Ambrose or somebody like that who once reported having had a conversation with a treasury department economists, maybe at some conference or somewhere. The treasury department is the agency of the US government that runs the IMF for the government. They're the ones who dispatch our Executive Director to the IMF; she's a Treasury Department employee. So there the ones in charge of international economics and all these issues, and again I think it was Soren Ambrose who said that he and some of his colleagues were asking these treasury department economists, they said, come one lets be real, in reality most of these countries who owe "X" billion dollars to the IMF, you know and I know that they're never going to pay back the money, you have no expectation that they will, so its not like the IMF is a bank that has books, where it has to get this loan paid back otherwise its assets aren't going to match its liabilities and its going to go in(?) That's not the case. Internally, the treasury department itself marks down the value of these debts that they don't expect to be paid back, so the IMF is maybe owed 10 billion dollars by country X, but they'll actually say, they'll not be able to pay that 10 billion, they'll count it as one billion. That's owed to us 'cause that's how much we can get back.

AUD: Yes, but Chase does that, Chase says a percentage of their...

SA: Yes, but I'm saying the treasury does that, the IMF doesn't do that. The IMF publicly claims that no they expect to get every dollar back.

DH: Well they will because with very few very few exceptions, no country's ever going to stiff the IMF because that would make it impossible to ever borrow a dime from anybody else. So the IMF almost always gets paid back. There are a couple of really renegade countries but they're really small. But whoever pays of dents, the US government has debts it'll never pay them off, IBM has debts it'll never pay them off. So it's just a matter of, are they sustainable or not. For a

poor country like Argentina, well a semi poor country like Argentina or a really poor country like in some places in Africa, there's no way. It's unsustainable even for the present to pay their interests. If, there were a jubilee, that would be the end of the World Bank and IMF. The IMF is just like a revolving fund, it lends out money because it gets subscriptions from its member countries and then it passes and you pay it back with interest and then it lends out the money again. The World Bank is a little different, it raises money in international bond markets and lends that to its client countries and if there were a jubilee they would have to default on those bonds and then it'd be all over for them, they wouldn't exist any longer.

SA: Just to complete the anecdote that I was saying, when 50 Years Is Enough challenged these treasury department economists, they admitted to them finally, maybe they regretted it afterwards, but they admitted that the purpose of demanding that these loans get paid back to the IMF is not for a financial reason. It's not that they need the money in order to keep the IMF solvent. The real reason they keep demanding that these loans be paid back is because as long as these countries owe money to the IMF, the IMF has policy control over those countries. It gives Washington the power to dictate the economic policies of these countries. Its not that they need this money, its not like the US government is going, oh were going to be strapped if we don't get our 200 million from Zimbabwe this week. They don't want them to pay back their money, if they paid back their debts the IMF would have no more official leverage over them anymore. But as long as they owe money to the IMF and they stay on this treadmill of owing money and constantly needing more loans, the IMF continues to have the power to tell them what their trade policies are going to be, whether they can give subsidies, what there exchange rate policy is, forcing them to privatize industry and all these other things. The treasury department economists that 50 years is enough talked to admitted this, which I think is a very damning admission.

AUD: Also, I guess just to add to that, for a lot of these countries the debt service budget line is their highest budget line...everything else, so they could drastically increase their health and education and welfare if they didn't have the debts of this obligation...

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AUD: So is it just the United States standing in the way or is it this collective group of constituents of these organizations saying no we're not...

DH: Well as in many cases, the US plays the heavy in these things, but Western Europeans are certainly happy to have the United States be the heavy cause then they can take the moral high ground while the United States is the bad guy. But the United States is maintaining an order that's been pretty kind to Western Europe and Canada and Japan too. And it's the same thing in military affairs, the United States may look really ugly a lot of times but it does make sure that some people have incomes twenty times those of others.

SA: To give one example, the Western Europeans, one of the things that they get is they have a lot of the companies that do the contracting when public services are privatized in Third World countries, like water provision and electricity provision. When they privatize these industries in Ecuador or wherever, they'll bring in a German water treatment company to come in and run the sewers. And as long as the IMF is there with policy control over these countries and can dictate to them that they have to privatize these industries, it's more business for those companies. That's just one of many examples of how not just the United States...

AUD: So it's basically a situation... where we have our group of people who will come in and take care of...

SA: Oh, no, I think it's probably up to the country to decide who to give these contracts to, but in the end Ecuador doesn't have a first-class engineering company like Bechtel, which is an American company, that can do these services. So naturally the contracts...

AUD: There's no education, there's no thought to educating the people in Ecuador to do this themselves, and build their own businesses...

DH: That would be considered inefficient.

AP: I think it's really important when we talk about, "Is it the U.S.? Is it Europe?" that it's really about corporations, right? It's about Bechtel saying "We're going to go in and run people's water systems, and if they don't let us, we're going to sue

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them.” And wherever they are based, they are multinational corporations. They happen to run the U.S. government, and so they’re able to get the U.S. government to do its bidding.

DH: It’s also good for the local ruling classes, the Argentine elite, the Ecuadorian elite.

AP: Oh, absolutely.

DH: Also, they maintain position in the world by being the junior partners of the big boys in the north. So they have no incentive at all to break up this...

SA: But I think one of the things that’s worrying the United States leadership is that these bonds connecting the Third World elites with the U.S. elites and European elites seem to be weakening because of these crises. It’s becoming increasingly less attractive to be the Duvalde or the Menem of your country. It was easy to be that in the mid-90s when things seemed to be going well, but now that you have to end up fleeing the presidential palace on helicopter, it doesn’t seem like such an attractive option, to be a junior partner for the United States.

AP: Popular unrest and not a military coup, right? In Bolivia, in Cochabamba, is the famous story where the community resisted the privatization of water. And Bechtel, the company, is now suing the Bolivian government not as much for their investment but for all of the profits that they did not make. And it’s very likely that Bechtel will win. That’s why I was raising the issue of the World Trade Organizations and all of these institutions, like the North American Free Trade Agreement that gives corporations legal standing over governments. So a Canadian based corporation can sue a local government in California and say, “Well, your clean air standards won’t allow me to set up shop and make a profit and they are therefore a barrier to free trade.” Because a corporation is not a person. A lot of times people say, “Citizens don’t have the right to sue their governments, why do corporations.” So that’s what’s happening, it’s a court case I believe to the World Trade Organization. And it’s going to be on the backs of the same people who were the ones resisting. And when we say resisting, it’s people standing up in their communities who had to face bullets, who were dying over the issue of the water privatization.

AUD: I have a really specific question for you. When I was Seth's age, the big specter was the multinational corporation. That was what everybody was always pointing to, that was always scary, out there. And somewhere that image disappeared as the front man (or woman) for evil in the world.

AP: I think it's fine to say front man. (laughter)

AUD: How did this happen?

DH: Well, I don't know if that's the case, first of all. There are certainly a lot of bad guys in the world.

SA: Who was talking about multinational corporations that isn't now?

AUD: In other words, had the anti-globalization movement erupted in 1978 or '77, it would have been fighting the multinationals, not the IMF or the WTO or the World Bank.

DH: Well, the anti-sweatshop movement goes after Nike and people like that. I think one thing that might have contributed to what you're talking about is what happened to the U.N. Center on Transnational Corporations. The U.N. had a Center on Transnational Corporations, which in the 70's and into the 80's was producing reports that displeased a lot of people in the United States because it was tracking what multinational corporations were doing very carefully and proposing a fairly critical agenda against them. As soon as Reagan took office, they resolved to do something about the Center on Transnational Corporations. It was gradually reduced in power; the budget was cut, they weren't producing so many reports, the troublemakers were kicked out. And then, I can't remember when this happened, sometime late 80's or early 90's, it was completely eliminated as an independent entity and then merged into UNCTAD, the Conference on Trade and Development in the UN, which Seth mentioned earlier, which was founded as a Third World counterweight to the IMF and the World Bank but was stunted from the beginning within the U.N. organization. And then they finally moved it over to Geneva. The Center on Transnationals was based in New York, producing all these incendiary reports that the Reagan administration

thought was Bolshevik in its radicalism. And then they just gradually and gradually disappeared. Now they're reduced to producing a world investment report every year that basically cheerleads for more investment.

AP: I don't think that we stopped talking about corporations, but what has happened is that corporations have just taken over these things. From our position, when we talk about the problems with the North American Free Trade Agreement, with the Free Trade Area of the Americas, one of the major problems, we say, it gives corporations this legal standard. And when we talk about resisting globalization, we talk about corporate-lead globalization. You can't stop globalization; we're on email with people from countries all over the place. The biggest problem is corporate-lead globalization that's totally allowing the free movement of capital, rather than the free movement of people, and the concentration of capital in very small minority.

SA: I think the other reason why people talked about it more in 1976 or '77, instead of talking about the IMF, the World Bank, the WTO, is because the WTO didn't exist then, but more importantly because the IMF and the World Bank at that time had a very different operating style. They had not yet assumed this role as the enforcers of structural adjustment in the Third World.

AUD: When did they?

SA: With the Latin American debt crisis, I think, that's when it really began, from 1982 on. So people didn't talk about the IMF that much because it wasn't considered that important. It really did, at the time, do what it claimed it did, which was to temporarily rush in with a bridging loan for a country that had a temporary drop-off in exports so that they couldn't import their needed goods. I don't know of any spectacular cases where the IMF in the '70s or the '60s was totally overhauling countries' economies. Maybe that was happening and people didn't talk about it.

DH: It was seen as a bad guy in some Third World countries certainly, but there was nothing like the popular movement against it that developed with the debt crisis in the '80s when it really started wholesale restructuring of scores of countries.

AUD: Would it be true to say that there are certain countries in the Third World, and I'm thinking specifically Middle Eastern countries, that have managed to escape this debt peonage because of their oil?

SA: Saudi Arabia actually owes a lot of money, strangely enough.

AUD: What about Iraq?

SA: Iraq? Well, they just had their assets frozen, so...

DH: They were at about a billion and a half dollars. They don't really have much in the way of foreign assets. They do own a piece of Elle magazine. (laughter)

SA: Do they? The Saudis do, not the...

DH: Iraq.

SA: Iraq does?

DH: Yeah, there's some sort of Iraqi investment fund that owns a piece of it.

SA: I knew I had detected some sort of... (laughter)

DH: The country that really has avoided it most is China. They have essentially very little foreign debt, and the IMF has essentially no power over them.

SA: And huge foreign assets.

DH: And that is in part because it's so damn big. India's very big too, but China has some positive leftovers from its Communist days. But it also illustrates the fact that it's very difficult for any single country to resist the IMF-World Bank debt peonage. If you're China, you can do it. If you're Brazil, maybe you can do it. If you're Argentina, there's nothing you can do on your own. You just get

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completely frozen out of the world economy if you get screwed. So it's impossible to have some kind of unilateral debt repudiation. You to have a significant number of countries to get it together in some kind of cartel, a common arrangement, who are willing to take this risk altogether, because there's nothing a smallish country can do on its own to resist.

SA: I think the idea is, the bigger country, the less dependent it is for all sorts of things on other countries. So if you're a small country, there's going to be a lot of things you cannot possibly produce yourself and you have to import them. I guess in China's case there is also the fact that they control the currency. It's not a freely exchangeable currency. Whenever China wants to borrow money, they make sure they don't borrow too much so that they don't end up with more debt than they have reserves on hand. Those kind of mismatches happen all the time in Argentina, which had a totally open capital account, where you could borrow and lend money freely without making sure you had a sustainable way of making sure you had enough reserves to cover it.

AUD: So does China show up as some kind of model, even though it's the largest? Can we learn from the way they supported themselves financially, fiscally?

DH: Yeah. "Don't open yourself up to international financial flows."

AUD: Period.

DH: Yeah. Be very selective about allowing it in. They still have something of a state planning mechanism left, and they decide what investments they want, what sectors they welcome. Of course they do repress thing like unions, too, which always makes for a positive investment environment.

SA: But also, because they're so big, they have this potential, future, possible consumer market that makes them very attractive. So unlike smaller countries, if a company wants to invest in a factory in China, and they really do, then China has a lot of leverage over the company, because the company not only wants to get into China, but to be the first company in their industry to get into China so they have an advantage. So China can say, "Okay, we'll let you come in and invest if you comply with a long list of conditions," and those are conditions that try to be

conducive to economic development. For example, they have to transfer technology. We talked earlier about how these poorer countries don't have our technology, so they depend on foreign companies and foreign countries to provide them with the technology they need. China had an active program to make sure that they can use the leverage they have by being such a huge consumer market, and to force companies to transfer the technology to them, to show their scientists how to make transistors and whatever it is they need to make.

DH: This is one of the things that Korea did when it was developing a car industry. It would buy the transmissions from Japan because it couldn't make its own transmissions. They were too complicated. But they insisted, "If we're going to buy your transmissions, you got to teach us how to make transmissions, too." And China's doing this with Boeing. "You want to make airplanes here, you got to teach us how to make airplanes, too."

SA: And if Zimbabwe tried to do this, obviously Boeing would say "Screw you, we're going to go to some other country."

DH: But China's the country of two billion un-deodorized armpits that's everybody's lusting after.

AP: Just bringing it back to South America, now that Lula's in Brazil and he's saying, "What are those lessons and how do we present a united front?" And I think one of the things we could potentially look at for a glimmer of hope, is he's saying he's not even going to even engage in the negotiations around the Free Trade Area of the Americas so he's able to strengthen the cooperative medical suit with Argentina, Uruguay, and Paraguay. Saying, "How do we build a trading block that can then negotiate from a place of power rather than negotiate from a place of weakness?" If Argentina and Brazil were able to settle their difference, that would be really incredible. That's just going back to a conversation that Seth and I were having before the panel started. Argentina has a presidential election at the end of April, or April 27th is when they were rescheduled. It will be the first democratic elections since this round of craziness. If we're able to have someone in there who can help shepherd that, that that would be an incredible thing. But there isn't anyone.

DH: And Lula's been sort of disappointing so far, to say the least. Very orthodox, doing everything the IMF wants, and basically continuing the policies of his predecessor.

AP: Partly because he has to be able to build power to be able to do something different.

SA: I think this is one of the many reasons nationalism and national sovereignty, which is an idea that seems to be cherished by certain parts of the left and certainly by the right, is such a damaging force in trying to create the conditions that poor countries need to not be poor anymore. You face to face the hard reality that most poor countries do not have the resources they need to be able to face multinational companies and First World governments on their own. They're too weak, and they need to cooperate with the countries around them. And you can't do that if you harken back to the bloody slaughter that was visited on you in 1623 by the people on the other side of the border, wrapping yourself in the flag. Certainly the focus on maintaining national sovereignty is, while maybe better than having your economic policy run by technocrats in the IMF, is probably limiting.

DH: It's always the case that debtor countries negotiate one by one with their creditors. The banks and the bondholders and the IMF guys are always sitting in the room together, staring down this one, the Peruvian representative or whatever. Actually Peru declared a debt moratorium in the late 80's, it declared a limit to how much it would service its debts and they came to regret that enormously. But I talked to an economic officer at the Peruvian embassy at the time, and I said, "Do you have any idea which banks you owe your money to, how much you owe to Citibank, how much to Deutschbanke," and he said he had no idea. They didn't even know who they owed the money to. He said, "Well, somebody must know, how can I find out?" He said, "Call Citibank." (laughter) Of course Citibank wasn't about to tell either. They know, and the debtor countries don't even know who they owe their money to.

AUD: And why did they regret it?

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DH: Because they got screwed. I mean, they were punished so badly they couldn't get basic finance to import oil. A country like Peru needs to import essential machinery and oil and some foodstuffs sometimes, and if you can't get the finance to do that, then you're screwed. So it drove the country in to even worse shape than if they had continued to try and service the debt.

AUD: You were talking a little earlier about the percentage of the United States votes, and I thought you said it was in relationship to the U.N....

SA: I think the line was it makes the U.N. Security Council look democratic.

DH: But the IMF and the World Bank are technically part of the U.N. organization. And they're supposed to be the institution of their membered governments, but in fact they're dominated by the United States.

AP: They governance structure's still different, so in the United Nations you have the Security Council with a couple of permanent seats with veto power, and then you've got the general assembly. In the World Bank, it's not one country, one vote, like in the U.N. You get a block of votes according to your financial contributions.

DH: Actually, the United States does not like the World Trade Organization as much it might because every country has just one vote in there, it's one country one vote, and the United States can't dominate the proceedings the way it can elsewhere, and so it's been starving it for budget. The whole WTO budget is smaller than the IMF's travel budget. The staff are on some sort of work slow-down, leading to a strike because they feel underpaid.

SA: But the part that the U.S. can't dominate is the staff of the WTO. When the WTO becomes a forum for global trade negotiations, then the U.S. and Europe and Japan can dominate it.

DH: Not as effective as they'd like, though. There are actually decisions that go against the United States, which of course the United States doesn't like. There are several decisions outstanding against the U.S. that the United States is not obeying, and the Europeans are getting upset about this.

AUD: But wouldn't it be the WTO who would call the States to account for its trade deficit? Wouldn't that be in any way regulated by the WTO?

DH: No, its just policies, not financial outcomes.

SA: Although the IMF does issue a report every year on the U.S. economy in which they're often quite critical. But of course they're thrown in the trash.

AUD: So the WTO would have no jurisdiction over recommendations to the United State policy?

DH: No. It might say that a specific policy was discriminatory or violated its ruled and call for that specific policy to be transformed. And I think there are four or five major decisions against the U.S. that it's just ignoring.

AUD: So is the WTO a governing body or a policy body that regulates or hears cases, if you will, about trade between countries.

DH: Yeah.

AUD: Didn't the United States recently through its trade representative ask the World Trade Organization to stop the passing of a bill that was discussed about charity drugs for poor countries? It seems like they are going to be able to stop the passage or at least pass the law with the stipulations that they are insisting on. That tells me that the maybe U.S. has more influence over the decisions of the World Trade Organization than just one country, one vote. It can enforce these Third World countries to buy patent drugs rather than generic drugs.

DH: If you're talking about negotiating changes in the structure of the WTO's rules, then the United States has enormous power, because the United States will say, "Well, you know, we're the big guy on the block and if you don't do what we say, we'll punish you some way or another." But if you're just talking about proceedings within the organization under its existing rules, the United States cannot dominate in the way it would like. Clearly, even if the United States has

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one vote, its one vote has lot more muscle behind it than, say, Botswana. But still, it's not stacked enough in favor of the U.S. for Washington's taste.

AP: Similar to the U.N., we look again about what happened in the last few weeks, the U.S. had to go and try to assemble a majority for the vote at the Security Council. At the World Bank, they don't have to because they have a block of votes that can just stop everything from happening. They don't need to assemble that kind of majority.

SA: This is the reason why the chief economist of the World Bank is a prominent prestigious position, but I don't know if the WTO even has a chief economist. If they do, they don't produce research that anyone hears about, and I suspect that if they did have a significant research department... I mean, the World Bank research department is extremely influential within the economics profession; it's not a side-issue. The WTO doesn't have doesn't have a research department like that, and if they did I suspect it would produce research that was much more according to the perspectives that the governments of Third World countries have, because it's one country one vote.

AUD: You may want to answer this later, but I keep hearing about this system, and one of the things I learned at one of the earlier seminars is that economics isn't inevitable. This is the system the way it is, but I want to learn more about what the system if it was the way we wanted to build it, and what we should be fighting for rather than fighting against. So at some point I'd be interested in hearing, what would a global system look like that supported our values?

DH: Its really, really hard to imagine that. I think the first order of business, since most of us are Americans, the first order of business would be to reduce the power of the United States, or humanize it somehow, that's the biggest favor we could do for the rest of the world is to stop our government from being so damn brutal and whether were talking about militarily or financially. It would be very, very nice if international institutions would actually be more multilateral than they are, if they were actually more cooperative and not dominated by the United States and its junior partners. And it seems very, very difficult to, I can't think of how to get to that point, but I think that would be the first thing, the biggest favor we could do everyone else in the world.

AP: I think that the global economy is totally linked to democratic processes all over the world and I think partly, reducing the power of the U.S. is a start. But its hard to think that Argentina, if it had the same amount of power as other countries, we still have an elitist government that does not represent the people of Argentina, so how do you also have a democracy-at least in my sense of the word and not what Bush means by democracy, but really being able to foster people being able to make decisions about their own reality. So it means in countries like, Argentina and Brazil, real land reform, where the people who are working the land actually aren't being forced to export what they produce. It means what you're seeing in a wave of places in Latin America, when you have democracy Lula wins, he wins not by 30% of the vote, he wins by the vast majority. In Argentina there was a poll, last week about presidential candidates and none of the candidates have more than 20% support, which means there will be a democratic run-off. However, the question was asked, if Lula were to run in Argentina, would you vote for him? More than 50% of Argentineans said yes. So you see it in couple of different places, so I think its starting by saying, how do we start building countries with governments that are really trying to figure out, how do we deal with the issues of our people.

DH: One problem is that, even if you do have someone like Lula elected, what he can do is very constrained. Is finance minister has been pursuing perfectly orthodox policies, keeping the budget tight, cutting social spending, almost the only thing left of over from his campaign promises is this hunger program, which is very poorly funded and its not the most pressing problem in Brazil right now. Brazil has enormous amounts of poverty but its not such a matter of people starving, its people are living in shacks outside major cities. It has the most unequal distribution of wealth than any country on earth probably. And the hunger program is essentially symbolic, paying homage to what he was elected to do, but he doesn't have the power to do it. The combination of domestic political pressure from the Brazilian ruling class combined with what financial markets and the IMF and the US government can do from the outside can make it nearly impossible, short of a complete revolutionary transformation, to pursue anything like a humane and democratic policy.

AUD: I'm working on a theatre piece and I've had to come up with a scenario in my mind where the United States actually receives an IMF loan and fails to pay

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and goes to ...(inaudible) and the pieces I've put together so far are that the major multinationals are actually affiliated as united states institutions...the tax payers...the people are proposing... a lot of corporations go off shore at least in name if nothing else, the euro grows in strength instead of the dollar being the international standard of currency, it goes off other to Chinese or the Euro and social unrest starts enough here that there's no access to have the money to send that so we...the IMF loan. What's wrong so far with that?

DH: That requires some suspension of disbelief. (laughter)

AUD: That's what the theatre is.

AUD: what are the big problems though? I ran it by some economists that said absolutely not and then they thought about it and said well actually that may be plausible in another 15 years.

DH: The wild card is the US has all the bombs and when push comes to shove that really what backs up... were witnessing a display of what the United States can do when it gets pissed off, and who knows how that might play out, but if there's any kind of threat to America's economic preeminence, I think we would just play the military card somehow. I can't imagine how but...

SA: What was the incidence that set off this, that sparked the collapse in this scenario.

AUD: That slowly the kind of legislation that Bush is successfully putting into place as with yesterday the new tax cuts, means that the governments completely gone bankrupt that there is no more money, enough like that, that there's social unrest in actually advocating for dramatic change. Were back to the 1920s now in terms of distribution of income and that that increases to the point where actually were looking at a noisy revolution. So the United States rather than tax, gets an IMF loan.

AP: I don't know if it's my suspension of disbelief but if the US government were to go bankrupt that would be the IMF goes bankrupt wouldn't it? I mean, where would the money come from?

SA: I think they'd have to raise the quotas of the other countries. I think they'd like that, I think the other countries would love to have their quota raised because they'd get to control the institution.

DH: Yeah but then they'd have to launch a cruise missile into IMF headquarters.

SA: In Paris. Or Brussels.

DH: But I think in what your saying about the fiscal state with Bush's tax cuts, there's something really real there I mean what they're proposing to do is insane, and they're not even accounting for war costs. They're not even saying what it's going to cost. And they're got a trillion dollars in tax cuts and they want another trillion dollars in tax cuts there's just no way that in the longer term the United States can't afford that so something's got to give. Either your going to have to cut non military forms of funding drastically, which could promote the kind of social revolution you're talking about, we could dream. Or there's going to have to be some kind of change to the tax policy. And once the war is over, which I'm assuming it will be, these issues are going to become kind of important because there are an awful lot of people on wall street, the concord coalition, all of this fiscally orthodox people are going to be very upset about these kinds of tax cuts and whether we can possibly afford... and Cheney is talking about a 50 year war. How can you fund a 50-year war when you are excusing rich people from paying their taxes?

SA: but we did get away with having a very high fiscal deficit in the eighties and early nineties a lot higher than it is now.

DH: But then the ruling class got mobilized to do something about it, Bush is going to get freaked out soon.

Audience: ... I can see the situation where even though our import level is so much higher than our exports, that it in a way keeps other countries beholden to us because we take in ...on paper we owe them a lot of money. Good for us because it allow us to also dictate if in some way were going to be able to do business with that country. What do you think is the defining factor, what is the

critical moment where of all of the sudden our debt, because of the import level all of the sudden we have to back off on it, what tells us on a fiscal level the US has to cut back on imports and then what happens after that?

DH: Well just general experience of watching financial markets over the years its, you never know what is going to be the event that causes the change, like with the stock market, its expanding, expanding, expanding, it looks like its going to go on forever and then it ends. You never know it can be just a minor news item, some change of heart who knows, it's very hard to predict when its going to happen, what is going to be the trigger. Something at some point happens and that breaks the bubble and everything changes, but I couldn't tell you what.

SA: And the result when that happens?

DH: Well if we're talking about the whole US bubble on a global scale bursting, God knows. It could be enormous. It could be the '29-'32 period all over again.

AUD: Is it...an import adjustment such as the market tried to correct itself from the dot-com bubble burst- what are the ramifications of that kind of import adjustment.

SA: One of the things that people in Washington who are paid to worry about these things worry about is the affect that would have on Japan, because Japans been sort of on a knife edge, its banking system has been on a knife edge for the last three years has been propping itself up mostly through deficit spending, but it has this bad load crisis where the companies owe enormous amounts to the banks and the banks don't really expect it to get paid back. And one of the major reasons why we have been able to sustain our debt is because Japan itself has accumulated an enormous supply of dollar denominated assets, treasury securities for the most part, and it runs a current account surplus every year, we run a trade deficit with Japan. So we buy their stuff, they lend us the money to buy the stuff. Um, or to put it another way, they lend us money with which we buy the stuff that they produce and so in lending us money they've accumulated huge reserves of securities, if the value of the dollar were to fall in the way that you're talking about, if the bubble were to burst and people were selling off dollar assets and the dollar fell by 20 or 30 percent or whatever, then that would cause

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a huge problem in Japan their banking system is based on having banks where large portions of their assets are treasury securities and the value of those securities would suddenly drop and that would cause enormous insolvency. They would actually have to end up liquidating those dollar balances. There's actually a book that the Brookings Institution- the Brookings Institution is a very sort of centrist, neo- liberal, think tank in Washington, but they sort of hired on contract this guy named Taggart Murphy who's an American economist in Japan and used to be an investment banker, who is the kind of guy whose analysis of Japan is very much different from what you'd usually hear from the Brookings Institution but he had this very succinct analysis of what could go wrong, in exactly the kind of scenario you're talking about in which the Japanese banking industry would just unravel because of the dollar crisis and the people who run the economics studies department thought this was such an important crucial issue for American policy makers to be thinking about in case it happened that they commissioned him to do this book. They would never touch his other work. So I think that one of the unimaginable scenarios that could happen after a burst to the dollar.

DH: There's an optimistic version of this that is popular amount the precincts of Wall Street that actually think about this and there are very few people in power who think about this publicly, they may talk about it publicly but they don't really talk about it publicly, but there's the optimistic version that there's a gradual adjustment spread out over the course of seven years so it means slower growth in the US, somewhat higher unemployment than we would have otherwise, but everything balances out over several years and everyone else gets used to it as well. That's the soft landing scenario.

SA: it never happens that way, I mean, there's never been a famous bubble that didn't burst but gradually deflated but nobody noticed.

DH: Yeah but that's the optimistic version.

AUD: But didn't you say earlier, the fact that world economy is based on the dollar that it would be pretty difficult for their to be a total collapse, didn't you say that before?

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DH: Well it would be difficult to happen, but difficult things do happen. And part of the difficulty is just imagining what it would look like, it would be the financial equivalent of nuclear war. And people don't like to think about that. But it would be completely disastrous; it would mean enormous financial and economic disruptions like nothing we've seen.

AUD: And are there not enough safe guards, do you think, in place to prevent a nuclear war in that way?

SA: An economic nuclear war. I don't know how you'd build those safeguards.

DH: Ideally they would have been thinking about this ten years ago and have prevented the thing from getting so far out of control to begin this but obviously, who want to initiate a deep recession in the United States? We certainly dictate it to other countries- we tell Mexico or Thailand, "You need a big recession-tighten your belt and be manly about it." But of course we don't want to prescribe that here. The Federal Reserve has been doing everything they can to prevent, what is by a lot of measures, a fairly mild recession in the United States from getting any worse or going on any longer, but this is nothing compared to what Argentina has seen. The policy apparatus, IMF, World Bank, all these guys, have become very adept in the last 20 years at shifting all the burdens of adjustment to other people, to the poor and the weak and sparing us. You know an optimist could so they can keep doing that forever, well a certain kind of optimist, a certain kind of pessimist would say there just postponing the problem its going to make it worse. So I would have to concede that the policy maker is going to always be very clever and very resourceful and pull their ass out of the fire at the last minute so maybe they will continue doing that.

SA: I'd like to hear some more about what you were mentioning earlier, the politics of **Meric-Lessor (sp!)** and regional integration and why people in Latin America especially people on the left think that such an important thing to do.

AP: I think it's about being able to build negotiating power. As Doug was mentioning before, in the 40s, 50s, 60s, it was about being able to build your own economy so that you don't have to depend of others, right, and that's no longer the case. I don't think that when **meric-lessol??** Was starting to be built the idea is

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we can trade among ourselves, we've got big enough economies, we've got enough of a range of industries we could do that. I don't think that's the case anymore. I think its more about having a big enough market, similar to the China model say, if you want to enter our market your going to have to deal with us as a block rather than play us against each other. Brazil versus Argentina, mostly I think, Uruguay, they're such small economies that...

DH: The people of Argentina see this as sort of a power grab by Brazil? It wants to be the dominant local-

SA: Well they want to elect Lula as their own president so-

AP: Well it depends on who you're asking right, I think since December 2001 a lot of things have happened in Argentina. One, of a huge raise in awareness around the IMF and the World Bank, you go on the street and you see graffiti that says "IMF Out." When you go to the rally you see signs that say IMF, World Bank, that used to really not happen on a popular level. And the other thing is you see social movements, people really uniting under this banner of, everything has to shift, everybody has to go out, that the big demand at the rallies, the whole government has to shut down. So I think partly its power grabs between the elites of Brazil and the elites of Argentina, there's just a different kind of discourse now, which makes it kind of hard because people are saying well let's just focus on what were doing in our neighborhood, or in our factory, and its been good as far as being able to solve problems, but then you have this total political vacuum and our more organized sectors saying well we don't want to support a candidate that's less bad than the worst of them all, and the worst of the all, there's a huge possibility that Menem will win again and he'll run the government again, that would be incredible. But of organized sectors saying we don't want to pay the political price for someone who's not going to have any power anyway, who's not going to be able to really do anything, or who's not going to have the willingness to make real change. So you have a total absenteeism of the political system, in a country where voting is mandatory, not like in the US, where you actually are forced to vote. Its less now, but the perception is still you have to go vote, you get an identity card, you get it stamped, if you need to go get a passport they'll look at that and make sure you've voted, that's the origins of the system, I don't know how enforced it is this point but people still go out and vote because they believe they are forced to vote. But there's a total vacuum on leadership and a

vacuum in political parties. It's also a multiparty country so you've got all these different parties, but so I think it's just different. People are like, "wow we want to be in Brazil." I was at the World Social Forum in February of this year, a huge Argentinean contingency of people saying wow this is so great how can we build this? The CTA that I was talking about before, see that they have a partnership with the CUT, the Brazilian trade unions, and saying how do we build a workers party, how do we do this? And I think that's the kind of change that people are seeing but its hard in terms of seeing the realistic side of it, the more organized you get the more people who because they're distrusting all institutions people just don't-most of the social movements are just building and building in a very horizontal way, but its hard to say how that goes to scale, how do you take power that way if folks are just saying we're just going to do our thing, and you do your thing and you do your thing and then hopefully we're all doing our thing something will come of it.

SA: Its strange because you have this enormous, unprecedented mobilization, people becoming more politicized, but it seems like those movements don't have that much to say right now about the bid issues that led Argentina to this point in the first place. So there's no, correct me if I'm wrong, but there's no popular sector proposal for what to do about the exchange rate system or these kinds of issues, its more like get the bastards out.

AP: But I think that there is a response, and the response is, cancel the debt, we're done with it. But we can't find anyone who will take power and be president and do that. SO then why engage in that process? And that's the critique of Lula, it was a huge struggle to get him to power, what's he really going to be able to do. Everyone's watching Brazil, on both sides, what's going to happen? Is he going to be able to stop the Free Trade Area of the Americas, is he going to be able to negotiate with the IMF, what's really going to happen and I think until we're able to say that there's just no real interest in people playing the political game when you have so many other things that you could be playing right now. In terms of the incredible immediate things right now, finding people jobs, food. And Doug, Argentina is an incredibly rich country, not a poor country, it produces enough food to feed 300 million people, and it all goes out, you have people in the providences that are growing the wheat with children dying of hunger, it makes no sense. There's never been that experience of people going, we're not Haiti, we've never been Haiti, we've always been able to feed

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ourselves, what's going on here? And I think that that's a huge shock and it's a political awareness of people going "oh we *are* a third world country." Argentines have a very bad reputation in the rest of Latin America because its very European, you don't see the people of color in our country, they exist, and people go oh its all white, well no its not there are indigenous people, there black people, but the image is oh were really part of Europe. And that's fostered because there have always been trade relations with Europe. It's like huge awakening, and people are like of we are poor...but we have all this land.

DH: For a radically different point of view, I was talking to an Argentine journalist who works at a Wall Street journal here in New York, and he was just, he said Argentina's recovering this year, the economy is going strong, and the people have learned their lesson, they've matured, they're growing up now, and they're realizing that people can't live beyond their means. He's a little worried that Menem might win the election.

SA: Why is he worried that Menem might win the election?

DH: Because Menem's a populist and irresponsible.

AP: Of course he's a populist and irresponsible. I would love to see the recovery, I really would.

DH: Its weird what you see when your sitting down on Wall Street talking to investment bankers and peddling stories.

AP: I think its just, the small movements that are building is inspiring, the level of political consciousness is higher than ever before.

DH: That wasn't even in his radar screen, he didn't have any idea about that, didn't care about that.

SA: It is amazing, I hear stories like these about the popular movements in the Argentina and you never read about them in the New York Times, you would

think that its in their interest- you always hear about this after there's some sort of revolution. In Vietnam it was the same way, we sent troops and people said why 5, 6 years ago didn't you warn us that there was this level of organization among the popular sectors. They should be worried about this.

DH: Vietnam was considered- the development establishment: the World Bank, the US government, considered Vietnam the most promising country in Asia and Korea was a basket case. And that was like late '50s early '60s.

AP: But that was also the Cold War. Now the US has so much power, why would they even worry about Argentina, there isn't a Soviet Union trying to do something with it, they've already deposed multi-governments, there is still a very vibrant memory of the dictatorship and I think that's also playing against political organizing people are still very afraid. People of my generation- I was born a few years before the dictatorship, but I grew up through the dictatorship, but my counterparts in Argentina, folks in our late 20s early 30s, are saying, oh I can't go to the streets I'll get photographed by the cops, or I'll be put on a black list. That memory of repression was really violent and really strong and it still exists. Even through generations of people who don't remember it directly. And I think that that's always there in terms of the threat. What's interesting is that now there are more connections around the US role in the military dictatorship.

DH: One of my favorite quotes of all time comes from Richard Feinberg who was on the Clinton national Security Council and is now an academic in San Diego somewhere. But he said that democracy only works when there's a fundamental agreement on the nature of property. So that memory of repression, that fear that it creates is why they even tolerate a certain form of democracy, and then once there's any kind of insurgency or any questioning of property relations that's when its time for the coups, for the military to come out of the barracks again.

AUD: So switching to a completely different geography, I spent a lot of time in Sweden. And is the reason why, the fact that, I'd heard about Sweden but now I spend a lot of time there, my husband's Swedish, but education, everyone is guaranteed a good education, is it just because its so small and homogenous? Why does it work in Sweden? Why can new leaders emerge within Sweden and actually run for office and win, and there's so many parties. My husband's always

like “A democracy! There’s *two* parties in America.” He ran for office at the age of 18. Is that something that can be replicated? And I don’t think Sweden is this ideal Utopia, with no capitalism, its certainly not poor, but there’s no poor people like there are here. And there’s, there are rich people but it’s not this amount.

AP: I mean I would say partly because that it is because it’s a much smaller scale, it’s hard to conceive of replicating that in a country like the United States it’s so huge.

DH: There’s certainly no reason why the United States couldn’t be more like Sweden. It’s just political. We have a very vicious and reactionary ruling class here, a very de-politicized broad population. Most Americans don’t even have any idea that we work harder and longer hours than anyone else in the world practically. Most Americans have no idea that we have the most unequal distribution of wealth than any of the rich countries; they’re ignorant and feel like nothing can ever change. So the combination of a vicious and heavily armed ruling elite with that kind of a mass demobilization I think is what’s responsible for that fact that American life the way it is. And Sweden developed its Welfare State when it was very poor; it was one of the poorest countries in Europe when they started doing it. SO it wasn’t that Sweden was this very well off country that decided to spend its riches on improving the well being of its population. It was back in the 20s and 30s when it was a very poor country, but it was radical political agitation, it was socialist and social democratic parties that transformed the country into what it is. And its pared back a little bit over the last 10 or 15 years they’ve had some economic problems. It would be very nice to live in country where people we’re rooting about in dumpsters. That’s not the world we live in.

Aud: inaudible...you have said that when you went to Seattle it changed your life. He said that when he went to Seattle all the people who were committed to working towards the future and I would like to address that, or I would like you to address that in a certain way, in so far as why, beyond seeing bodies in the streets. Yesterday I was marching and I was so glad that there were people in the streets but I came home and I just wept because I turned on the television, so its not just bodies in the streets...

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DH: What I found so hopeful about being in Seattle and WTO week in '99 and what I continue to see in all these world wide demonstrations and the world wide peace movement in the last several month has just been surprising and completely inspiring and its several things it's the fact that all those people care enough to get on the streets, that all those people in the streets were elites to some degree, but also that felt that there was some hope that they could do something. They got if they go out in the streets they felt that they weren't-this world isn't all there is, another world is possible as the slogan say. And just that sense of possibility, and some revival of utopian spirit in a world where utopian spirit has become very unfashionable and scare, that was very, very inspiring to me. And the fact that this movement has continued to grow the global justice movement, anti-globalization movement, whatever you want to call it, has helped to develop this peace movement in the last few months, it's a very good sign. There's very few ideas about what to do and that's a problem, a very serious problem, I go all silent when people ask me what would a better world look like, but it was just so inspiring to see- when I started writing about the IMF and world bank, in my newsletter in 1986 when I started writing this stuff, there was nobody in the US who cared about it. I remember going to the meetings for the debt network in the 1980s and there were like 10 people in the room and half of them were nuns. And for anti-clericals like me it's very difficult to be in a situation like that. But the nuns are spectacular and wonderful and they were caring about these issues when no one else did. The 10 years later to see a popular movement erupt about what used to be very arcane and abstract issues. Global grants, global development, of global capitalism- at least people are talking about it and thinking about it and acting about it, and then there's this wonderful young generation of activists. People in my age bracket used to complain about the young people today just don't care. Then suddenly there were all these twenty year olds out in the street beating drums, it was a wonderful moment. And Mark Cooper from the Nation magazine in front of the jail in Seattle, I think that's when the whole "This is what democracy looks like" chant was born, Mark Cooper turned to me and said "they're smarter than we were." Its wonderful for these two aging baby boomers to acknowledge that there's this very lively successor generation that we can admire and look to for some hope. Its really more the spirit of it, there's no agenda.

SA: The other thing about street protest is that there were like 50,000 people in Seattle and that is considered in retrospect, I think with reason, as being this

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enormous event and a real sea change in the way people thought about these issues. 50,000 people though, you know people talk about street activism vs. electoral politics, if you multiply that number by three, if they were voters, nobody would write about them, talk about them, pay any attention to them, there would be no politician trying to get their vote, and yet with only 50,000 going into the streets of Seattle they totally changed the agenda. Well put new issues on the agenda.

Aud: Inaudible...to an audience of like minded people about fifty years ago and at least the goal would have had a name and it's a word nobody's used called socialism, and which now is defined as taking major economic institutions, banks, factories and putting them under the control of the society. I'm wondering why no one on the panel, or why everyone on the panel is so reluctant to use that kind of word.

SA: I'm gonna lose my funding, I think I actually have to leave now. I'm just kidding I have no funding. My funding was in an envelope that they gave me.

Aud: There are people who are articulating alternatives, there is this book out now called Participatory Economics and ... you can't just say that there's no one coming up with ideas there are people out there who are coming up with really valid and viable alternatives.

AP: I think that there are a lot of alternatives, I think that there's a lot of ideas, and I think that one of the problems with the global economy as it is now, is that its one model being forced on the entire world. The question is how do you foster different ideas, different models based on local realities, that work for the people in that place, people in that community, but how do you balance that with the need for a total over haul. And that's the hard part. And honestly for my generation, socialism, I'm not sure what it means, I'm not sure what it means to say oh the alternative is socialism, so that's my answer to my question.

Aud: inaudible...in other words socializing information, means of production.

SA: Well its funny, Analia was just talking about some of these factories being taken over, and that's sort of like a classic model of what you'd call socialism at

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least on a small scale, but people don't make a fetish of calling it socialism, I assume or maybe they do.

AP: Maybe some do, maybe some don't. But I think partly it's about local solutions and a perception of socialism as a worldwide thing, now were going to establish a whole new model for everybody. And that's the reaction I think both on the streets and also in places where people are trying to make a difference, and those things look like what some people would call socialism, both in the landless movement in Brazil, the factory takeovers in Argentina, these pockets that are happening. But that it's also a reaction to something imposed from above.

DH: I think when you said, to end private ownership of the means of production and socialize them or do an ownership on behalf of society, the agent of that ownership is very hard to specify. A lot of people now have very bad memories of the state as that agent in the Soviet model. AND while the soviet union was a complex and contradictory thing, I don't think there's too many people outside maybe some older pensioners outside maybe the former Soviet Union now, who really look to that as any kind of model of how to remake a society or economy.

Aud: That wasn't the original Soviet- "Soviet" means council, workers and soldiers council.

DH: Right, but I think the word has been so poisoned through its association with the KGB and the Gulag that its very difficult to bring it up, the word needs some re-branding consultants to come in and help it out.

Aud: You know what else does, "Marx." Don't laugh at me. I've been thinking so much about what this next money event will be, and everywhere I turn its like Marx said that, I didn't know Marx said that, or I'm kind of bumping into Marx everywhere. And I learned practically nothing about Marx, I didn't study it, it wasn't part of the zeitgeist of my learning of my own learning or school learning. There was a piece in the New Yorker a couple of year ago-

SA: John Cassidy?

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AUD: About what is all this interest suddenly in Marx, is that what it was?

DH: Yeah, there was a little boom in those articles in about 1998, 1999.

SA: It was the Asian Financial Crisis that did it.

Aud: There's something kind of interesting to me. Did I read in that Anti-Capitalist reader that you said that there hasn't been a Marxist economist appointed to a university, was it you that said that?

DH: There has been no Marxist economist that's been hired to a major economics department in the United States. Except for John Roamer at Yale, which is a joint appointment with the Political Science Department, and the Political Science department was the leader in that.

AUD: That blows my mind.

SA: It's an industry, economics is an industry.

DH: It's a criminal enterprise.

SA: Right it's a black market criminal enterprise, but because it's an industry it has to meet standards, you have to meet the standards of the industry. So if you get trained as a graduate student in Marxist economics you're not going to be able to find a job. If the department wastes its money on one Marxist economist then that's less money left over to hire economists who are going to train the students who want to get a job in a bank.

AUD: I think that there's a bottom line in here somewhere. Not to everything but there's something bedrock-ian about this to me. That you know, all of the young economists that are coming through the universities are not even exposed to the economics of Marx.

DH: They're not even exposed to anything written before 1970.

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AUD: It's shocking.

DH: I'm not exaggerating. The only economics department in the country that requires people to read Adam Smith and David Ricardo is the New School and that's because it's a radical, or had been a radical department.

SA: They don't even read Adam Smith

DH: They don't read Smith and Ricardo. They don't read Keynes' general theory, which was published in 1936. Really there's almost nothing in the economics curriculum, unless you study economics history, which is considered kind of a ghetto profession.

SA: There is no economics-history department in this country as far as I know. In England every major university has one. In this country there is no economic history department. There's like one person in the history department who teaches economics.

DH: Its all math.

AUD: All radicalism is being relegated to English Departments.

AUD: Or "Lit Crit" which is useless.

DH: Well it's hard for people to get tenure as Marxists in English departments even.

AUD: What about economics from a labor point of view rather than a business point of view. You can hardly find that anywhere in economics departments in the United States, the Notre Dame department has a few labor economists, but now Notre Dame is splitting up- it was one of the few outposts in the major universities that had any kind of radicals in it, and they're sort of splitting it up to have a conventional economics department with some kind of weird little problems department in the corner with the labor economists and the radicals.

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AUD: What about David Korten's new book, Corporations for a new world, I forget the title, post corporate (The Post-Corporate World)...what's his name?

AUD: David Korten, K-O-R-T-E-N.

DH: I think his stuff is pretty awful.

AUD: I think he's kind of a crackpot. I do. I tried him.

DH: I read a pre-review of that book.

AUD: I read the book.

AUD: It's a little New Agey for me. Did you find it at all useful?

DH: He has this sort of fanciful idea that corporations are interfering with this beautiful Adam Smith world and if we could just get rid of corporations then we could go back to the invisible hand of Adam Smith it really makes no sense to me. And I often have a problem when people start talking about "the corporation", precisely what they mean, you need some kind of institution to organize production across time and space, so the question is who owns it? You don't want a bunch of petty producers making steel in their backyards, the question is who runs them, how are they run, for who's benefit? When people start talking about getting rid of corporations I don't know what kind of world they're proposing in its place. Then there's people like Ralph Nader who have this very small-scale, independent, petty capitalist idea of the world and it just doesn't seem like a utopia to me at all, it seems like small town America in 1840, it didn't have too many virtues to recommend it as far as I'm concerned.

AUD: Is there a difference between that and say, in other words it seems to me you're advocating, a kind of local- local institutions, 10, 12,000 people, and you've also aid the problems that Argentinean society faces is and all societies face are not only local, they are national and international. It seems to me that you can't only find solutions to these problems locally, you have to press these things politically, with political parties that... (inaudible)I don't know if they would be too dogmatic or Bolshevik, perhaps my suggestion...(inaudible).

AP: I agree, and what I've been trying to say for however long I've been talking is that the real dilemma is that people find hope in local alternatives but its not clear how they build to scale, or how it adds up to something big enough to make real change, to address the global issues. So I agree but I'm not sure what the right model is.

AUD: In Russia in 1917, they had two things, they had all of these local groups and councils but they also had a revolutionary political party.

SA: I think maybe some people in Argentina would want to figure out how to avoid the fate that the Soviet-the Russian Revolution ended up in, and that may account for why there's so much reluctance to go for that kind of a model. But on the other hand, as I mentioned before, I think its interesting that people in Argentina on the one hand seem to be saying throw the bums out, and that's the centerpiece of the politics and yet this was a crisis as you've pointed out, because of all of the failures of the large scale institutions that so far there is no single program that's been put forward for how to replace those institutions or change them. And that does seem to be something missing.

AUD: I think what's also missing in the anti-globalization movement as well. If we were to bring down the IMF and World Bank, something has to exist as an economic regulatory body so that we don't become isolationists thinking this is just my country and-

DH: Well there are some people who want that, I mean people like Walden Bello, who want these institutions destroyed so that you can have all these local initiatives. I actually interviewed Walden shortly after the World Social Forum and he said the consensus there, and other people dissent that this is a consensus, but he said the consensus was not to industrialize that poorer countries should redevelop their rural sectors and basically make people happier healthier peasants than they are now. And that strikes me as a dead end and a loser, but that's what a lot of people would like to do.

SA: That's what a lot of people in the first world talk about. You don't often-You don't hear that much from poor countries themselves; "let's stay agricultural and

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poor forever.” Well, with that I have to wrap things up. I’d like to thank our panel. Doug Henwood, and Analia-

AP: Penschaszadek.

Melanie Joseph: And I’d also like to thank Anne Erbe, publicly, who is the woman responsible for organizing all the roundtables (applause) she rocks.