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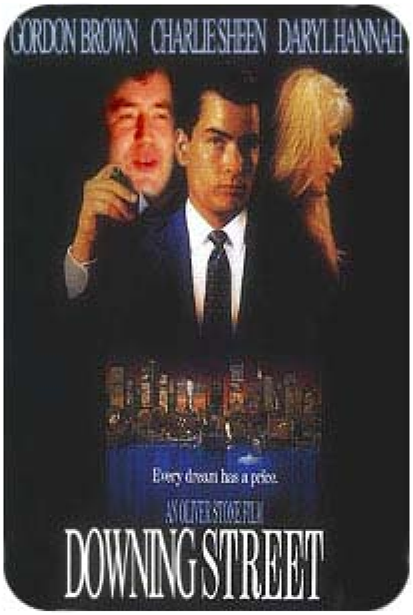
GORDON AND THE GEKKO FALLACY



There was a time when the Chancellor of the Exchequer was a firebrand of Labour radicalism. Gordon Brown, then, was unafraid to make the case for economic interventionism, universal entitlements, and an internationalism rooted in both the peace processes and in the right of developing nations to determine their own economic priorities. It is important to remember this when some of today's messages seem more confused.

Gordon delivered a speech to the Confederation of British Industry (CBI) Conference in Birmingham in which it was somewhat hard to recognise the old radicalism. Those who remember the film 'Wall Street' might find more awkward resonances with the urgings of Gordon Gekko than the interventionism of old Gordon Brown. It is the ideological assumptions rather than the individual aspirations that we need to think through.

Gordon Gekko was the free-wheeling speculator who championed the ideology of market liberalisation. He lived by the credo 'Greed is good', and thrived in an environment that could exploit the absence of regulations and constraints. The Chancellor wasn't quite so crude in his CBI speech, but the free market assumptions were much the same.

Talk of subjecting every EU regulation to a "competitiveness test", of resisting Directives relating to the rights of agency workers, or to 'working time' regulations was worrying enough. Even worse was his outright opposition to "linking pensions with earnings". And the Chancellor's determination to "sell off all remaining government share holdings in private utilities" conveniently overlooked the fact that only a short while ago these were all public utilities.

Someone needs to explain to me where, in the lexicon of Labour values, the Party was ever founded to be the champion of privatisation.

For those who cry 'unfair' at this point, I would just ask that you read War on Want's new report, 'Profiting from Poverty: Privatisation Consultants, DFID and Public Services'. It is a brutal exposure of how Britain has become a global champion of the privatisation agenda so beloved by corporate America .

Within the World Bank, our voice has been to force privatisation on developing nations by making this one of the 'conditionalities' of debt relief. Domestically, we find that a big slice of the Department for International Development (DFID) budget has gone to management consultancies, for the privatisation of water, transport, health, and energy services in the poorest of nations.

Between 1997 and 2002, DFID awarded £118 million of such contracts to the Big Five accountancy firms in the UK market. In addition, the international arm of the Adam Smith Institute (not noted for its support for socialism, the environment or the poor) has received over £34 million from Labour's aid budget to promote privatisation programmes in the developing world.

The results of such programmes have invariably been disastrous for the poor. The examples catalogued by War on Want would make you weep. In Andhra Padresh (India) electricity privatisation pushed prices up by 80% for agricultural users and 50% for domestic users. In Manila , the huge price increases that followed water privatisation forced the poorest of families to cut their food budgets and move children from school into work, simply to afford access to water.

It hasn't even mattered to the Gekko model of globalisation when these privatisations have catastrophically failed and services brought back into public ownership. By then the corporations had already taken their consultancy fees, fleeced out their 16% profit margins and moved on to other (publicly funded) projects.

This is the new corporate welfare state; where tax payers subsidise speculators, who turn public assets into private gravy trains. It is also the model of 'market flexibilities' that the neo-liberal, Washington Consensus wants to impose on national economies worldwide. Even our own knowledge of its failures doesn't seem to interrupt the mantra demands for more.

In Britain , we know that rail privatisation only delivered dividends on the back of massive neglect of track renewal and maintenance. In the USA , electricity blackouts have come from the non-renewal of transformers and the infrastructure of energy transmission. The privatised sewerage system in Malaysia finally had to be taken back into public hands in 2001, amidst a welter of law suits following the pollution of local waterways. Argentina took back its privatised postal service in 2003, when the company went bankrupt leaving a mountain of debts and a legacy of undelivered mail services.

If this was just a matter of economic incompetence and ideological dogma it would be bad enough. What makes it worse is the disconnection between the dogma and the real global challenges we have to face up to.

When Gordon Brown made his case for greater trade liberalisation and market deregulation to the CBI Conference it was based in an assertion that this would make Britain a bigger global player in every part of the world. Sadly, in every country where free trade mythology is being run out, the claim is the same: the country will become a bigger player in every part of the world. For the poor, the prospects of becoming a market winner are about as great as becoming a lottery winner. In today's corporatised capitalism, 'free-trade' demands are simply a mechanism for feeding the rich not emancipating the poor.
At the same time as the poor in the developing world are told to accept privatisation of essential services and utilities as the price for debt relief, the poor in the industrial world are told to make themselves cheaper in order to compete.

Scare stories abound about the disasters that will follow if we don't. Asia will produce and export more than the 'Euro' area, China will produce and export more than all of us. Within a decade more than 5 million European and US jobs will be outsourced to the South. You can feel the panic rising.

There may be good cause to be anxious, but the disasters will come from a different direction. Some of these will be from climate change, some from a more immediate crisis in water supply.

Before you panic about the supply of goods from India and China , look at the projections about the ability to meet their own, let along anyone else's water needs. Within this decade both countries will have to make difficult decisions about water priorities. Meeting the needs of the West may not figure that highly if they can't feed themselves.

Water hungry systems of industrial agribusiness will be challenged by more regionalised demands for sustainable food and farming. Different equations will come up for debate. If it takes 100,000 litres of water to rear every kilo of beef, but only 900 litres for every kilo of wheat, how will people allocate scarce water?

Today's global markets may put no economic price on the fact that half of the food in the West is jet-lagged before it reaches us, and its transit will have generated carbon emissions 5 times the weight of the food itself, but what happens when the exporting country has to choose between water use for its own survival and water used for exports?

Don't think this will be just a North-South issue. We will all face our share of the crisis. In California , the big acreages of industrial scale food production depend heavily on water from the Hoover Dam and the Colorado River . Lake Powell , the second biggest reservoir in the USA , feeds into the Colorado River and the water hungry states that draw from it.

The trouble is that Lake Powell is entering its sixth successive year of drought, has dropped in water level by 130 feet and is now barely 38% full. Those who want to duck the issue pretend they can tow icebergs from Canada or tap into other people's aquifers. The more realistic voices say that the crisis is in modes of over-production that are no longer compatible with changing climate patterns. Managing water differently will be the key to twenty-first century sustainability.

Even the CBI cannot forever sail in blissful ignorance of the costs (to themselves) of a global market place that speeds them into climate change and disrupts both markets and production itself. The big insurance company, Munich Re, estimates that by 2060 the cost of our changing weather systems will outstrip the value of all goods and services in the global economy. In simple terms, it means that climate change could bankrupt Britain . This is the future Gordon Gekko would race us into. Fortunately it is not the only future we can choose.

The crisis is not in an absolute shortage of water, land or goods, but in how we manage and distribute what we have. 'Payback' economics will have to replace the drive to expropriate and exploit. Ecological foot-printing – the discipline of learning to tread lightly on the planet – will have to become the basis of a different type of economics.

This is not about a nihilistic desire to destroy markets but the destruction of markets that are themselves nihilistic. Markets with a moral purpose are, in fact, the bedrock of a new moral and sustainable society. They can (and will) incorporate innovation, renewable energy systems and more accountable ties between producers and consumers.

Such markets, however, have to be constructed rather than liberalised. Left to their own devices all markets begin by being amoral and end up immoral.

Those who founded the Labour Party understood that markets without rules, dominated by the rich and powerful, simply brutalised the lives of the poor. Those who would lead the Party today need to understand that the same markets would brutalise the planet as well. It is the Gekko mentality that the Party now has to break free from.

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