

THE PROBLEM WITH POWER AND RICHES



When world leaders get together at the G8 summit no one will have a bad word to say about Jeffrey Sachs. The economics professor responsible for the UN's anti-poverty report, 'Investing in Development', has asked rich nations to put their hands in their pockets and cough up \$135 billion a year to tackle global poverty.

It is a big call. At present the UN has an anti - poverty budget of \$20 billion. To increase this by a factor of 6 (and then to \$195 billion by 2015) is going to take some serious wallet shaking.

I have no doubt that world leaders will come with arms full of pious declarations. We have been here before.

It is almost 35 years since the world's richest nations solemnly pledged to raise their contributions to the poor from 0.46% of their annual wealth to 0.7%. In the larger scheme of things it was still

pocket-money politics, but it would have meant a lot to the poor. The trouble is that only 5 countries – Denmark, Norway, Sweden, Luxembourg and the Netherlands – have ever met that promise.

Six other countries (including Britain) have pledged to meet the target by 2015, but the UN isn't planning to spend it until it can count it. For the record, the contribution of the USA's budget to development aid is down to 0.15% of GDP. These are the minor details that will go unmentioned as leaders make their G8 pledges before the global media circus.

Only afterwards will the caveats begin to roll. The Sachs report will be described as overambitious by 'sources close to the President/Prime Minister'. Targets will become 'aspirational' rather than firm. Leaders will solemnly swear to reach the 2015 target but skip the leap in 2005 payments.

The last thing you could fairly say about Sachs is that his report was over ambitious. To get the support of rich nations he had dropped his more publicised view that Africa's most heavily indebted nations should come up with their own debt-cancellation programme; simply refusing to pay the \$109 billion debt millstone that hangs around their necks. Instead, his report came up with this two stage programme that, even then, would only take contributions from the richest nations to an average of 0.54% of their GDP.

So, before the global retreat gets into full swing, let us put some of these figures into a different context. You could pay the \$135 billion by taking a 15% tax out of the world's annual arms budget. Just treat it as VAT for the poor. Britain could pay the entirety of its contribution out of the cost of the war on Iraq (and still have change to spend on the poor at home). The US gave more (in real terms) than Sach's total budget plans when it supported the Marshall Plan for reconstruction in Europe at the end of the Second World War. It isn't the money that's the problem, it's the politics.

US support for Europe, post 1945, wasn't altruistic. First, the lessons of the First World War were plain to see. The failure to support German re-construction after 1918 (and the level of reparations placed

around its shoulders) simply meant that the legacy of the last war became the foundations of the next.

Then there was the 'threat' of communism. An ideological alternative existed to free trade capitalism. Globally, workers had seen where this speculative adventurism had taken them in the late 20s and 1930s. A different political challenge was emerging and organised capital had a vested interest in 'domesticating' the upheavals that were coming to make them as capital-friendly as possible.

Finally, the US understood that as the European Economy recovered there would be a set of new market opportunities for US companies. The Marshall Plan was as much about securing leverage in this market as rescuing Europe's poor. Those advocating a Marshall Plan for the South, today, have much the same agenda; though the fear of al Qaida and terrorism have replaced the fear of communism. The trouble is that the old solutions will not work.

The ideological hubris of neo-liberalism has driven free trade rules into the poorest of countries; mainly to dump on the poor rather than emancipate them. Grain surpluses in the North have been off-loaded in the South with destructive consequences for the survival of their domestic food systems. Poor countries that once were able to protect their domestic industries (and pursue production policies that met their own needs before meeting the needs of others) are now told that privatisation of their assets is the solution to their problems.

A succession of programmes driven by the World Bank, the IMF and the WTO, have insisted that the privatisation of utilities and essential services has been a pre-condition of debt relief programmes. Globally, this has spawned a disastrous series of domestic crises in which the poor have risen up against an unpayable increase in charges, principally for water and electricity.

In Bolivia, President Carlos Mesa has cancelled the water privatisation contract in the face of a general strike and a roads blockade that sealed off access to the capital, La Paz. The company, Aguas del Illimani, was owned by Suez Lyonnaise (the French water conglomerate) and a consortium of international partners. Since privatisation in 1997, the company has pushed up water prices by 35% in regions where 60% of the population live in poverty. Despite this, the World Bank gave the company a launch hand-out of \$68 million and declared that it highlighted "the vital role of the private sector in providing the future infrastructure services in Bolivia".

The same claims are already being made today for conditionalities to be attached to any new debt relief programme for the South. UK ministers can be heard talking about corruption in the developing world and the need for 'good governance'. This is fine, except that the term has become a euphemism for privatisation; as though corruption is not just as endemic in the corporate world as it is in patronage administrations.

Everywhere, North and South, the pressure on governments is to become corporately compliant. In Germany and France, governments are facing huge pressure to privatise utilities to comply with the EU's Stability and Growth Pact. The French Government is set to sell off some 30% of its ownership of Gaz de France, along with further sales of its shares in France Telecom and the big electricity group EDF.

In Germany, the government is preparing to sell more of its shares in Deutsche Post and Deutsche Telecom. All of this is to get their budget deficits below 3%. It is a remarkable imperative, particularly if

you compare European budget deficits with that of the US administration.

The comparison becomes even more bizarre if it were made against the accounts of the largest and richest corporations on the planet. Not one of them would escape bankruptcy if the same borrowing and deficit rules were applied to companies as well as governments. Yet companies, riding on the most speculative of share issues, are trumpeted as the answer to today's problems rather than a central part of them.

Even before you begin to factor in climate change and global over-production, there is a compelling case for going back and renewing public institutions (and the UN) rather than for a new feeding round of the corporately rich. Go back to Jeffrey Sachs and let's see where we might begin.

One of the most embarrassing defects that the UN has hidden from us is that rich nations have always promised and not delivered. Not a single UN appeal over the last 30 years has raised what the world promised. Now we have a further complication: aid promised for re-construction is diverted into military security.

In Afghanistan only 3% of the aid has gone on reconstruction. Over 84% has gone to the US-led military coalition. In the developing world, big slices of aid (or big price increases) go into protecting the privatised utilities from public protests against their activities. No wonder the arms and security industries are booming. Wars that ravage the poor reward the rich, particularly in the arms industry.

So instead of asking the richest nations for voluntary contributions why not consider the more radical step of giving the UN powers to raise its own budget? If global leaders want to pledge 0.7% (or 0.54% or whatever) of their GDP to UN programmes, let the UN have the power to treat this as a drawing right on the World Bank.

Countries already have to pay subscriptions to the World Bank and IMF and the UN levy could be included in this. Let the World Bank chase the rich for their contributions while the UN works with the poor on their own solutions.

Then let us look at corporations as contributors to such funds rather than just as beneficiaries of handouts and privatisations. Many nations are already supporters of a 'Tobin Tax' on speculative transactions on global money movements. Everyone knows, though, that no single nation could levy such a tax. But give the World Bank the power to do so (in lieu of membership subscriptions) and we begin to rock and roll.

Suddenly, the case (and institutional architecture) for a different global structure of re-distribution becomes attainable. The case for global eco-taxes, particularly on aviation fuel, becomes much easier to implement when you cut out the scope for operators to skip from one national tax regime to another. Similarly, poor nations who see eco-taxes as the rich man's protectionism, will become far less sceptical if the tax revenues return to them rather than to offshore tax havens.

The Sachs report understandably begins from a focus on the problems of the poor. We will not find an answer, though, unless we address the problems posed by the rich. The theology that stands in the way of this is free-market fundamentalism. Do nothing, and climate change may bring this to its knees

anyway; at a price disproportionately paid by the poor (and by war).

We have the chance to turn this around – in wild, imaginative, sustainable, mutually secure ways. It's just that our leaders cannot or will not, seize the moment. Maybe it's a vision thing. Maybe it is greed. Maybe, as ever, it is for humanity to drive the change.

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