

4. The global economy

The dynamics of the global economy shape in various ways the health chances of people all over the world. Creating environments which can deliver ‘health for all’ requires knowingly and deliberately reshaping the global economy.

Stories about the global economy play a powerful role in political debate including debate over health care and policy debates which shape the social determinants of health. To participate effectively in such debates people’s health activists need to be able to strip the ideological spin from conventional accounts of the global economy and advance alternative (clearer and more useful) accounts which can inspire and inform activism for health.

Mainstream discussion of the global economy is generally conducted in incomprehensible gobbledy-gook. Terms like asset bubbles, collateralised debt obligations, market softening or toxic debt do not convey any kind of coherent picture of the economy of which they speak. Many non-economists are discouraged by the gobbledy-gook: “It’s all too big; I can’t grasp it; let’s just leave it to the economists”. This is unfortunate. Many economists don’t understand it themselves and others are quite happy to exclude ordinary people from this conversation. However, the main problem is that the story they are telling about the economy is generally constructed around the interests and concerns of business people and investors. It is a story that is not very helpful for activists concerned about health, equity and sustainability.

Partial stories

What does it mean, ‘to understand’ the global economy? We need ‘to understand’ the global economy when we are seeking to explain particular phenomena or to planning to achieve particular objectives. In these circumstances we put together a story centred around those phenomena or objectives. It is a story which is centred on our interests, our concerns and our agency. It is not an objective account of the global economy, like the physicists’ account of the collapse of a neutron star, standing apart from our interests and our agency.

The global economy is too complicated for any comprehensive account which is sufficiently detailed to answer all of the questions that we might put to it. This is partly because there is just too much information and the relationships are very complex. The economy is a complex adaptive system with a very close horizon of predictability. Furthermore, the boundaries of ‘the global economy’ (what we might decide to include in the stories we tell about the economy) will vary according to who is asking the question and why. At its most expansive the global economy includes everybody and everything; in more restrictive constructions it might be restricted to entities engaged in monetary transactions. There are no absolute criteria for setting such boundaries. The fundamental barrier to producing an ‘objective’ account of the global economy is that we are inside it, we are part of it. We are present as protagonists in the field of analysis and our experiences and purposes are irrevocably present in our descriptions, explanations and strategies.

The partial stories approach recognises the impossibility of a single comprehensive account of the global economy and focuses instead on collecting a library of partial stories which can be drawn on when we need them. In this chapter I shall describe the global

economy through a series of ‘partial stories’ about money, investment, debt, the global financial crisis, financialisation, etc. These are all stories about particular episodes, particular facets of this incomprehensibly complex global economy. In sequence they provide a pathway for building familiarity with the field. In aggregate they provide the building blocks for the more purposive stories that we need to explain and strategise around our issues of concern; stories which are centred around our concerns, purposes and our agency. We select from our library of partial stories those insights or generalisations that are needed for the purpose we are addressing.

There are different kinds of partial stories. Some are largely descriptive (organising what we know); others are interpretive or explanatory (making sense of what we see); and others are strategic (stories about what we might do and what impact we might have).

In essence the method involves two stages: first, building our own personal libraries of partial stories; and second, weaving new stories (drawing from this library) in order to explain our concerns and to inform our plans; weaving new stories of description, explanation and strategy; rooted in particular circumstances and oriented around our own agency and purpose.

A library of partial stories

We approach ‘the global economy’ in this chapter with a collection of some of the most important *partial stories* which we will need to put together the narratives about the global economy which will illuminate the causes and the strategies which we are focused on. These partial stories include:

- original myths,
- neo-colonialism,
- the debt trap,
- global reach,
- post-industrialisation,
- from long boom to global crisis,
- productivity overhang (over effective demand),
- neoliberalism as adaptation to post-Fordist crisis,
- tax evasion,
- Casino capitalism,
- China USA interdependence (Chimerica),
- asset bubbles and financial crises,
- sub-prime mortgage crisis,
- European sovereign debt crisis, and
- economics of health.

Original myths

Stored wealth (capital) gives us security against drought; gives us time away from tilling the fields (rest, music, warfare); gives us the resources for buildings, roads, libraries and guns. Wealth can be stored as food or tradeable commodities or money (if it can be converted into goods of value to others).

For tens of thousands of years the main mechanisms through which wealth was accumulated were variations on a theme of oppression, exploitation and expropriation including slavery, conquest and taxation. Cortez in Central America illustrates. As commerce and trade developed, capital accumulation depended increasingly on unequal exchange variously propped up by military or economic power. Britain in the Opium Wars illustrates.

These 'original myths' serve to underline the radical break from the past which was capitalism. Capitalism institutionalised the cycle of innovation, increased productivity, marketing, the realisation of surplus value, capital formation, more innovation, further productivity increase etc. However, in the context of the modern global economy these continuing increases in productivity threaten to destabilise the system as a whole because production for larger markets by fewer workers threatens the realisation of surplus value since fewer workers on lower wages can buy fewer goods and services. The need for 'creative destruction' (in particular through war or depression) arises from this feature of capitalism. We shall return to these themes below.

Over the last century mainstream economics has focused increasingly on representing the economy in linear mathematical equations building from simple 'original myths' into complex representations of markets, investment and production. One of those simple original myths was the view that the primordial economy was essentially a barter economy. This was critical for the project of linear mathematical economics because money was to be represented simply as an incremental development from earlier barter relationships. Thus money is seen as corresponding to the value of the real things circulating in the market place.

In fact there is no historical evidence that early economies operated on a barter basis, except at the margins as in exchanges between communities. In the beginning local economies operated on the gift exchange principle (Graeber 2011). The individual gift derives its significance in the context of the relationship between giver and receiver but there is a calculus across time with respect to the aggregate outcome of the sequence of exchanges. The expectations associated with this sequence of gifts constitute the beginning of debt.

In more complex communities bilateral exchange relationships are increasingly embedded in a network of exchange, including a trade in debt, in the sense that the standing obligations between the farmer and blacksmith may be reconciled through their dealings with the grocer. Graeber explains how commercial banking arose out of this tradition.

Both Keen (2011) and Graeber emphasise the role of the banks in creating money through the act of agreeing to lend money to a customer. In a book keeping entry the money is transferred to the customer's account but actually remains in the bank (see also Rethel and Sinclair 2012). When it is used it may well still remain in the bank but transferred to the accounts of the suppliers from whom the original customer has purchased goods and services. Since (under normal circumstances) most of the money is likely to remain in the bank there is nothing to stop the banker from lending it out again to someone else. The total amount of credit so created is therefore much greater than the actual money the banker has in hand.

Both Keen and Graeber argue that conventional economics has found it difficult to deal convincingly with the role of finance in the modern economy (including the role of banks and debt). Insofar as mathematical economics is founded on a correspondence theory of money and value (that money corresponds to (or should correspond to) circulating value) it appears

that modern linear mathematical economics is unable to comprehend the significance of debt in the dynamics of the modern capitalist economy and the role of banks in creating money.

These controversies are important in setting the scene for the discussion below of the significance of financialisation in the modern economy. As a proportion of the modern global economy the financial sector has grown dramatically in the last sixty years, in particular, since the 1970s inflection (see below). From being a service to production, the finance sector has become first a casino for speculation and more recently is assuming a neo-feudal role as landlord to the modern economy (to be elaborated below).

Neo-imperialism

The concept of neo-imperialism is a useful way of framing the relations between countries in the modern economy.

Colonialism refers to the conquest and governance of one country by another. Unequal political (including military) relationships tend to be associated with unequal economic relations whether through slavery, expropriation, or unequal trading relations.

Imperialism describes a system of colonial relations through which the imperial power is able to achieve economies of scale with respect to the exploitation of the subordinate countries of the empire. The complementary roles of the slave trade (and colonial relationships in Africa) and the growing of cotton and tobacco in the American colonies illustrates the more complex economic relationships which are possible under imperialism.

Many countries, particularly in Africa and Asia, gained their independence during the post Second World War period. This was in part an outcome of local liberation struggles but was also facilitated in some degree by the encouragement of both the Soviet Union and the USA. The Soviet Union was happy to support the struggle of colonised people (outside the borders of its own empire). The USA was not supportive of the continuation of direct colonial rule by the European colonial powers; the US had already developed its preferred model of neo-colonisation in Latin America and anticipated (correctly) extending this kind of relationship to many of the newly independent states. The opposition of the USA to direct European colonial rule was most clearly evident in the US opposition to the Anglo French Israeli invasion of Egypt in 1956 after Nasser nationalised the Suez canal. US support for the French colonial rule in South East Asia would appear to be an exception to this policy; justified by the perceived need to make a stand against communism in the region.

The period from the early 1950s to the 1970s was an optimistic one for many of the newly independent countries of Africa and Asia. It was the period of the long boom and there was a degree of trickle down growth experienced in the newly independent countries. In the context of the Cold War between the Soviet Union and the West many newly independent countries saw some opportunity for playing the two sides off against each other and charting an independent development path.

The Bandung Conference (1955) saw the birth of the Non-Aligned Movement and a more confident Third World voice and one of the early outcomes of NAM advocacy was the United Nations Conference on Trade and Development (UNCTAD) which met for the first time in 1964 under the leadership of its first director general Raúl Prebisch. Prebisch was a leading critic of 'modernisation theory' (Rostow 1960), which posited that economic

development took broadly the same pathway in all countries, going through a series of recognisable stages. In contrast, dependency theory (of which Prebisch was a leading exponent) located national economic development in the wider context of ‘world systems theory’ (Amin, Arrighi et al. 1985), including the imperial metropolis and the colonised (or post-colonial) periphery.

Prebisch supported the use of import taxes (tariffs) to create space within which domestic industry might develop (import substitution) and called for policy settings internationally which might enable developing countries to mobilise resources for domestic industrial development. In 1974 UNCTAD issued a call for a New International Economic Order; a call which was echoed in the UN General Assembly in May 1974 (UN General Assembly 1974). The NIEO has particular relevance to health because it was cited in the Alma-Ata Declaration of 1978 as part of the primary health care strategy for health development. The NIEO is worth revisiting today because it stands in such sharp contrast to the neoliberal paradigm which guides global economic policy today.

The optimism of the NAM and the possibility of what Amin (1985) calls polycentric development was crushed by structural adjustment during ‘the lost decade’ (see below) and the vision of political independence and autonomous economic development was replaced by the realities of neo-colonialism.

Neo-colonialism describes the pattern of political and military hegemony exercised by the US over the countries of Central America; colonial because the earlier patterns of economic and political subordination are reproduced; neo because the older structures of military occupation and direct administration have been replaced by various forms of economic bullying, military destabilisation and clientelism.

Neo-imperialism describes systems (empires) of such relationships and in the modern era the outstanding example is US neo-imperialism as elaborated in the Monroe Doctrine, the doctrine of US exceptionalism and various other ideological devices. The US empire (understood in these terms) is held together by all of the traditional mechanisms of armed invasion, destabilisation (covert and otherwise), and support for client states. However, in the modern period, trade agreements are emerging as the modern face of neo-imperialism.

The WTO agreements from 1995, the thousands of bilateral investment treaties and regional ‘free trade agreements’ (especially since Cancun in 2003) are playing an increasingly important role in codifying the rules of the new imperial regime and legitimising the sanctions that can be brought to bear on countries of the periphery who transgress those rules. These relationships are clearly evident in provisions dealing with increasingly restrictive intellectual property rules, with investor protection, and the defence of agricultural protection and subsidies in the metropolitan countries (while forcing countries of the periphery to open their markets to the manufactures of the modern transnational global production machine).

This ‘story’ of neo-imperialism is quite critical in terms of providing the concepts and terms that we need to describe, understand and engage with the global economy. It provides a useful corrective to discourses which speak about countries and nation states in quite generic terms engaging across the global economy. This is sometimes useful but it is also important to see that all countries are not equal. The language of neo-imperialism allows us to treat the

countries of the metropolis differently from the countries of the periphery and to explore more closely the unequal and non-reciprocal character of those relationships.

Just as the ideology of neoliberalism corresponds to the structural realities of neo-imperialism, so also the principles of polycentric regional development (Amin 1985) are presently informing the efforts of many independence activists in the developing countries of the South. Mercosur in Latin America and ASEAN in Asia are important fields of contestation where this debate is being continued.

The debt trap

The debt trap is a story with three subplots: first, the collapse of the gold standard in 1971; second, the OPEC prices rises from 1973 (and the Arab oil embargo) and the ensuing era of cheap loans (and irresponsible lending); and third the emergence of stagflation in the 1970s, including the ascendancy of monetarism over Keynesianism in economic policy debate and the dramatic increases in interest rates under Reagan and Thatcher from 1981. These subplots merge from the early 1980s with the increase in interest rates and the impossibility of repaying the odious debts of the 1970s. With the debt trap comes IMF conditionality and ‘structural adjustment’.

This scenario is of fundamental importance in understanding the contemporary global crisis. The 1970s inflection (from the long boom to slower growth and greater instability) marks the end of the long boom and the emerging productivity overhang (see below). The damage done to the developing countries by structural adjustment was in some degree matched by the damage done to the union movement in the developed countries from the prolonged recession of the early 1980s.

In August 1971 Richard Nixon announced the unilateral abrogation of the 1944 Bretton Woods agreed gold standard. Under the gold standard the US had agreed to underwrite global monetary stability by maintaining a fixed relationship between the dollar and the price of gold (\$35 per ounce); other countries’ currencies would maintain a fixed relationship to the dollar. The US owned half of the world’s gold reserves and the assumption was that the US could buy or sell gold as needed to maintain the value of the dollar and therefore all other major currencies.

This system collapsed under the weight of Eurodollars and the Vietnam war. By 1971 the US had been fighting in Vietnam for 16 years and was running a chronic trade deficit (buying more from the rest of the world than it was selling) and a budget deficit (government spending more than revenues; the shortfall in tax made up by printing dollars). Under these circumstances the demand for dollars (from outside the US) was reduced and, in view of the domestic inflation in the US, the holding of US dollars by foreign governments and banks was less attractive than during the 1950s and 1960s. During the 1950s and 1960s a substantial pool of US dollars had accumulated in the European banks, initially from Marshall Plan dollars, later from European sales into the US market. By 1971 the value of the Euro dollar pool was much greater than the remaining gold in Fort Knox and the Europeans were starting to exchange their dollars for gold.

At \$35 per oz the US dollar was over-valued and a run on the dollar had started. With the abrogation of the US commitment to \$35 per oz the price of gold started to climb, which is another way of saying the value of the dollar fell. Countries and organisations holding

dollars watched while the value of their holdings fell. Vendors selling into the US market (including OPEC members) suddenly found that the real value of their returns was falling.

In 1973 the Organisation of Petroleum Exporting Countries (OPEC) announced a substantial increase in the price of oil. Commentary on this price increase has been complicated by the oil embargo imposed on the US by the Arab members of OPEC as part of the Yom Kippur action against Israel. Some commentators have interpreted the price increase (like the embargo) as part of the Arab Israel conflict but it is clear that the depreciation of the US dollar since 1971 had significantly reduced the value of revenue from oil exports to the US. There was a case for a price increase whether or not it was linked to the Arab Israel conflict.

Whatever the cause of the 1973 price increase the effect was dramatic. The oil producers were flush with cash for which they did not have immediate uses. Accordingly they deposited much of it in the Western banks. Bankers abhor deposits which do not earn money and so they set out to lend it where they could. During the mid 1970s salespersons from Western banks travelled the world pushing loans to anything that breathed. During this period of moderate and rising inflation and low interest rates the banks were actually offering loans at negative interest rates (where inflation exceeds the nominal interest rate). In Africa many of these loans were made to governments of various persuasions, including a number of famous kleptocrats. In Latin America more of the loans were made to private businesses but most of these were covered by government guarantees so that the taxpayer picked up the bill in the long run.

Here we pick up the third subplot. By the late 1970s most of the Western developed economies were confronting rising inflation combined with slowing economic growth: stagflation. In reflecting on this period we need to focus first on where the stagflation came from (the interaction of the rising productivity overhang and increasingly desperate Keynesian management strategies); secondly how it was ultimately managed (interest rates: 'fight inflation first') and third, the consequences (the lost decade).

It appears that the slowdown in economic growth (the stagnation) reflected the increasing impact of the productivity overhang in the developed world; moving from the Fordist balance of the 1950s (mass employment on decent wages in domestic manufacturing feeds into mass consumption, continuing profit and further productive investment) to the post-Fordist imbalance (labour intensive domestic manufacturing is replaced by technology intensive manufacturing or low wage manufacturing in off shore platforms (the East Asian Tigers in particular) and consumption spending slows with the choking of the flow of wages into consumption).

It appears that the inflation component of the stagflation was the result of Keynesian economic policies being applied at the national level as if the slowdown was simply an expression of the normal business cycle rather than being the consequence of a structural imbalance internationally between productive capacity and aggregate demand. The consequences of ineffective Keynesianism was compounded by the prices and incomes spiral precipitated by the underlying inflation.

It was this last factor, the role of the unions in trying to maintain the buying power of their members, which was identified as the fundamental problem in the corridors of economic

power. In the face of slowing economic growth, the only way for capital to maintain its return on investment was for the labour share of the enterprise surplus to be reduced and this became the priority for the governors of the regime.

The economic policy debate came to be dominated by monetarism and austerity. The Keynesian script of deficit spending was condemned and the control of money supply through the control of official interest rates (the rates the banks pay for borrowing from the central bank) was installed as the primary tool of economic policy. The application of this tool was problematic in the face of both stagnation and inflation. According to Keynesian principles stagnation would call for cuts in official interest rates to encourage investment. According to the monetarist doctrine inflation would call for increasing interest rates to suck excess money out of circulation.

Under the slogan ‘fight inflation first’, Reagan and then Thatcher pushed up official interest rates to a peak of 18% in the US in 1981. The consequences were threefold: first, inflation came under control; second, economic growth ground to a halt with massive increases in unemployment; and third, the debt trap was sprung.

Harvey (2010) argues that recession was deliberately engineered by the strategists of capital in order to cripple the union movement through prolonged unemployment as well as anti-union legislation. Some very famous industrial battles were fought at this time (coal miners, Wapping, air traffic controllers), all of which ended in defeats for the labour movement. The goals of this strategy were twofold: first, to guarantee an increased share of a stagnant pie would be going to capital rather than labour; and second, to reduce the impact of wage pressures on inflation.

However, while the workers of the rich world suffered increased unemployment and straitened living standards, the impact in the developing world was disastrous.

Countries and businesses which had borrowed money at negative interest rates in the mid 1970s found themselves facing impossible servicing costs as these loans were rolled over in the early 1980s. Sooner or later many developing countries found themselves unable to borrow more to service their debts and were forced to turn to the lender of last resort, the IMF, to bail them out.

The IMF imposed tough conditionalities, broadly described as structural adjustment, on their loans. Structural adjustment (what now might be called austerity) was designed to achieve one end only: to ensure that the banks got their money. The elements of the IMF’s structural adjustment policy package included:

- economic reorientation around export industries, in particular mining and agricultural commodities (earning more foreign exchange but causing unemployment in manufacturing)
- devaluation (to make exports cheaper and earn more foreign exchange but at the cost of increasing the price of imported goods in local markets),
- dismantling import tariffs designed to protect local manufacturing (to ameliorate the price increases from devaluation and ensure cheaper inputs for export industries but at the cost of domestic employment)

- cuts in public expenditure (in particular on health care, food subsidies, public utilities; freeing up public revenue for debt repayment but at the cost of reduced health care and increased hunger);

The impacts of structural adjustment on education, nutrition, employment, health care, urban infrastructure were devastating (Breman and Shelton 2001, SAPRIN 2002). In Latin America the 1980s have been referred to as 'the lost decade'.

While the de-development driven by structural adjustment may not have been a deliberate objective of the interest rate increases of the early 1980s the increased resource flows from the developing to the developed world certainly assisted in the economic recovery in the metropolitan countries.

By the end of the 1980s there was a flood of reports and books documenting the damage being done through the crude structural adjustment policies of the IMF. The UNICEF sponsored 'Adjustment with a human face' (Cornia, Jolly et al. 1987) was particularly influential. As a consequence the World Bank was forced to become more involved to shore up the legitimacy of the debt discipline. The 1993 World Bank report on health (World Bank 1993) was a direct consequence of this. 'Investing in health' argued that structural adjustment was not necessarily harmful to health; that, if the Bank's health sector reform policies were implemented, structural adjustment and health improvement would be mutually complementary and beneficial to all. (See Chapter 5 for more.)

The story of the Third World Debt Trap is a good point at which to flag some of the important debates about debt, debt repayment and debt cancellation.

During the 1990s Jubilee 2000 campaigned strongly for cancellation of much of the Third World Debt on the grounds that much of it had been incurred through irresponsible lending and that the economic policies being put in place to ensure payment were having an unconscionable impact on the health, education and development chances of communities and countries. In response to this campaigning the G6 put in place a partial debt cancellation under the HIPC Initiative.

Jumping ahead to contemporary period we have seen the people of Iceland refuse to assume the debts of their banking cowboys but we are watching Greek pensioners being asked to bail out the German banks for their lending practices. To what extent should the German banks be sharing the losses associated with their irresponsible lending to Greece before the GFC?

Graeber (2011) provides an extended discussion of the history of debt including debates around when debts should be paid and when the lenders should accept some or all of the losses. Graeber argues that while the principle 'people should pay their debts' has a strongly entrenched place in many cultures, there are legal mechanisms in most jurisdictions to declare bankruptcy or default on loans. He demonstrates that it is generally the political power of lenders which holds sway over whether all debts, including predatory and/or mendacious lending, 'should be paid'. Graeber argues that if the lenders carried more of the risk they might exercise more responsibility in their lending.

At the international level the concept of 'odious debts' has been used to define a situation where illegitimate governments (dictators) incur illegitimate debts (eg arms

purchases, grandiose monuments) which should not be inherited by subsequent governments (and people) (Ndikumana and Boyce 2011).

Tax evasion and capital flight

It is useful to consider transfer pricing and other forms of capital flight in conjunction with the debt trap. While the imperial powers have, through the IMF, insisted on the continuing repayment of odious debt they have continued to support the institutional mechanisms necessary for tax avoidance (Henry 2012, Shaxson 2012) and capital flight (Ndikumana and Boyce 2011).

Two prominent mechanisms for moving money out of developing countries are transfer pricing and fraudulent invoicing. Opportunities for transfer pricing arise in the context of intra-corporate trade within TNCs. By adjusting the prices paid for goods, services and licenses TNCs can ensure that most of their profit is registered in low tax jurisdictions. Fraudulent invoicing as a tool for capital flight involves the overstatement of prices for imports (facilitating the movement of money out) and the understatement of prices for exports (allowing the realisation of value once the assets have been shipped out). Tax evasion is one reason for capital flight. Other reasons include covering up corruption and access to stable currencies.

Critical to both mechanisms are the ‘secrecy jurisdictions’ which enable such manipulations to be hidden from view and the financial institutions which facilitate such transfers. Low tax, secrecy jurisdictions are a necessary part of a much wider project of neoliberal globalisation: so-called tax competitiveness which involves TNCs inviting countries to compete for FDI by lowering corporate tax rates.

The collusion of the imperial governors in continuing tax avoidance, capital flight and theft reflects the ideological solidarity of the Robinson’s ‘transnational capital class’ (Robinson 2012).

Industrialisation, post-industrialisation and globalisation

Marxist geographer David Harvey (2010) urges attention to the spatial dimension of macroeconomics; economic transactions take place across space and link people in different places. This is clearly reflected in the above discussion of imperialism with the spatial dimension reflected in the concept of metropolis and periphery.

The urbanisation which accompanies industrialisation is another case where the spatial dimension is quite critical to understanding the economics transformations.

In the first industrial revolution in Britain the abolition of the Corn Laws (which between 1815 and 1848 prevented the importation of corn and other cereals and thereby maintained prices for British produce) led to an exodus of farm labourers from the country to the city (as imported cereals displaced local produce) and provided the factory labour upon which industrialisation was based.

In the modern era the provisions of the WTO’s Agreement on Agriculture have had a similar effect. Subsidised grain production from the US dumped on Third World markets has driven millions of farmers off their land, migrating to the cities, looking for work. The large informal settlements on the edge of Third World cities provide a reserve army of unemployed

which serves to keep wages low while providing an inexhaustible supply of labour for manufacturing and services.

A somewhat different pattern has occurred in China. Prior to 'opening up' (from the early 1980s) internal migration was tightly restricted by the household registration system. This held back the flow of farmers to the cities despite a relative over-population in the rural areas (in relation to arable land). With the move to a market economy and the development of manufacturing for export the household registration was progressively relaxed so as to allow farmers to migrate to the cities looking for work. The so-called 'floating population' (farmers working in the cities) presently numbers over 200m people.

Against this background of industrialisation and urbanisation comes the newer pattern of de-industrialisation as manufacturing jobs are exported from the heartlands of capitalism to the low wage platforms of the 'newly industrialising countries' or 'emerging economies'. The export of manufacturing jobs from the US has been accompanied by a steep rise in the proportion of workers employed in the service industries. However, this term obscures significant differences in employment between white collar jobs in the finance sector (broadly defined) and the low wage part time employment in various forms of hospitality and retail. While executive salaries have escalated, average weekly earnings have remained static and under-employment widespread. Accompanying these changes many cities have been 'hollowed out' with the wealthy families moving to gated communities in the suburbs and commuting to work while the excluded and unemployed (with people of colour strongly over represented) are living in less salubrious areas of the inner cities.

Over the last decade the static or falling incomes of lower middle and working class families has been obscured by debt financed consumption (including the ability to borrow more against over-valued houses: the so-called 'wealth effect' of the housing bubble) and by the artificial support provided to the US dollar by China's buying of treasury bonds. Discussed further below.

These geographical shifts (farmers to the cities, massive informal settlements in Third World cities, middle class to the suburbs, manufacturing jobs to the Third World) reflect some of the spatial dimensions of globalisation.

However, they also underline the inadequacy of frames of analysis which focus only on countries (as in the countries of the metropolis and the countries of the periphery). The underemployed and indebted families of working class America are being alienated and excluded through the same global dynamics as those which are driving farmers off their land in India or forcing young women to work in sweat shops in Shenzhen or Dakha (and are driven by very similar alliances of corporations and classes). Older categories of 'class analysis' do not properly capture these relationships and there is an urgent need for frames of analysis which can depict clearly the international axes of solidarity and exploitation as well as the more familiar domestic categories of class.

Robinson's use of the term 'transnational capitalist class' highlights the shared values and solidarity of the elites of the rich and poor world, epitomised by chief executives of transnational corporations, the high fliers of intergovernmental organisations and brains for rent in academia and think tanks.

Global reach

The rise and rise of the transnational corporation (TNC) is a defining feature of economic globalisation; the TNC is both a driver and mediator of globalisation.

The United Nations Conference on Trade and Development (UNCTAD) defines transnational corporations (UNCTAD 2012) as follows:

Transnational corporations (TNCs) are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake.

An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets (in some countries, an equity stake other than that of 10 per cent is still used. In the United Kingdom, for example, a stake of 20 per cent or more was a threshold until 1997.).

A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10 per cent for an incorporated enterprise or its equivalent for an unincorporated enterprise).

TNCs have been around for many years but in recent decades they have increasingly dominated the global economy. TNCs exert a powerful influence on the economic, cultural, political and environmental conditions which shape population health; through their influence on the prevailing ideological, political and economic environment they also exert a profound influence on health care.

Global corporations

We start by introducing some major corporations who may be taken as representing various classes of TNC who will appear in the following analysis.

We can take Philip Morris International as the exemplar of big tobacco (and a wider class of pushers); profiting from the sale of an addictive and poisonous substance; and fighting all forms of regulation with all possible weapons.

The brewer SABMiller represents the alcohol industry, selling a product which can be used safely but which causes huge damage when combined with the anger of social exclusion (violence), the guilt of purposelessness (chronic alcoholism), and the exuberance of young men (vehicle crashes). While undoubtedly the alcohol marketeers address all possible markets these niches are very significant foci of alcohol marketing. More (Jernigan 2008).

Coca Cola represents the junk beverage industry, contributing to obesity and diabetes, deploying powerful marketing techniques to habituate billions to high energy drinks and reinforcing the human taste for sweetness. Coca Cola also illustrates the determination of the junk food industry to avoid effective regulation (through propaganda and lobbying as necessary); environmental costs (depletion and pollution of ground water) and brutal industrial relations (murdering of trade union officials).

Cargill represents the vertically integrated global food commodity traders who make their profits by screwing both the farmers and consumers; destroying small farming in developing countries; speculating in food prices; undercutting traditional crops and food sovereignty.

Monsanto represents the new feudalism of seed monopoly and herbicide dependence; locking farmers into vassal status; consolidating globalised agriculture.

McDonalds represents the 'convenience' foods industry; colonising the domestic meal; exploiting for profit (and reinforcing) the human taste for salt, fat and sugar while driving obesity and diabetes; selling cheaply because of industrial standardisation, monopsony purchasing power, cheap high energy corn syrup, and the use of low paid part time workers.

Pfizer represents the research based pharmaceutical industry; maximising profits through development policies which reflect market opportunities rather than needs and pricing policies which reflect the most profitable volume-price point rather than access according to need.

Walmart represents global retail, screwing the suppliers through monopsony power and screwing small competitors through cheaper prices achieved through exploitation of employees and suppliers. Walmart illustrates the global value chain in operation driving small retailers out of business; profit shifting and tax avoidance; and the further weakening of consumption through low wages employment.

Shevron represents global extractive industries; poisoning local communities and deploying the investor protection provisions of 'free' 'trade' 'agreements' to avoid responsibility for environmental vandalism.

The global value chain

The concept of the global value chain is critical to understanding the modern TNC. The 'chain' refers to the sequence of activities from procuring raw inputs, to manufacturing, to distribution, marketing and sales. 'Value' highlights the possibility of profiting from each step in the chain, but more importantly, gaining security of supply through multiple sources; maintaining continuity of production through multiple production and processing sites; increasing profitability through establishing monopoly positions at various points in the chain; and power over host country governments and unions through having different investment options globally. 'Global' highlights the benefits of global choices with respect to supplies and production and the value of global marketing.

The US drive to achieve deeper levels of economic integration through so-called trade agreements reflects the demand of the TNCs that they should not have to deal with country-specific regulatory structures. Regulatory 'harmonisation' to facilitate global reach is a major purpose of the current round of trade negotiations (eg for the proposed Trans Pacific Partnership Agreement). This includes minimal public interest regulation (including health, environment and labour conditions) but highly restrictive intellectual property protection to maximise profit.

The extent of global reach is reflected in the degree to which international trade is conducted within the corporate empire, around 30% for the OECD countries (Lanz and Miroudot 2011). Intra-corporate international trade enables transfer pricing and profit shifting

for purposes of tax avoidance. By manipulating the prices paid between different arms of the business the corporate accountants can ensure that profit is registered in low tax / secrecy jurisdictions.

One of the main economies of scale achieved by larger TNCs is the capacity to innovate but in contrast to the global sourcing, production and marketing most TNCs maintain quite centralised research and development facilities (Gerybadze and Reger 1999). While there are practical reasons for this it also has the effect of limiting technology transfer to the less industrialised economies which provide the inputs or cheap labour.

The control by corporate headquarters of different stages of the global value chain also enables locational flexibility globally, in some cases moving towards cheap labour and lax environmental standards but in other circumstances towards an educated workforce or proximity to financial centres. Locational flexibility is of particular significance in terms of auctioning corporate investment against regulatory and tax concessions across potential host states and dividing organised labour; playing off workers in different jurisdictions against each other.

TNCs as sources of foreign direct investment (FDI)

TNCs are a major channel of foreign direct investment, into developed as well as developing countries. Many developed economies are both the recipients and sources of FDI as TNCs seek to extend their market reach and increase total market share. FDI is more important than exports for certain types of TNC. Thus the business model of Coca Cola, McDonalds and Walmart all involve vertical integration locally (supply, production, retail), tightly controlled with strong marketing to drive sales. In comparison electronics and automobile manufacturers are more focused on the global movement of real product.

Foreign *direct* investment refers to foreign companies buying real assets including land, buildings, plant and equipment and buying (or buying into) existing enterprises. However, buying up existing enterprises (through mergers and acquisitions, M&A), rather than greenfield investment, is the dominant form of TNC FDI; well over 70% and increasing (Ietto-Gillies 2002, Table 2.8). The benefit to the TNC of investing in mergers and acquisitions is the increased control of supplies, production and sales and greater flexibility with respect to pricing.

In view of the fact that so much FDI involves the take-over of existing enterprises it is surprising that TNCs are still able to auction the benefits of 'foreign investment' across potential host states against the concessions the putative host states are willing to grant with respect to labour, taxation, environment, subsidies, regulation, etc. FDI in this respect drives the so-called 'race to the bottom'.

The privatisation of public utilities is an increasing focus of FDI. In this case the investment involves purchasing existing infrastructure (prisons, schools, hospitals, power and water utilities, etc) or contracting to build or operate public infrastructure or institutions (prisons, utilities, etc) or provide services to them (outsourcing). Much of the capital invested in such privatisation is borrowed through investment banks and venture capital funds and involve the TNCs paying higher interest rates than governments can access. However, the insistent propaganda about steering not rowing and the threats of TNCs to withhold investment from high tax jurisdictions has driven many governments down this path.

FDI as the engine of economic development for developing countries has been over-sold. Bornschieer and colleagues (1985) find that investment promotes short-run growth but in the long run may retard growth. The TNC presence is always temporary; they can always move, albeit at a cost. TNC policies not aligned with national policy objectives. Concessions can be costly (subsidies, deregulation, tax avoidance, reduced competition through M&As). Insofar as 'development' involves domestic wealth accumulation to enable broader development choices, the presence of TNCs is not necessarily an engine of development since they involve taking over local enterprise and repatriating most of their profit.

Owner manager separation

Key features of the modern TNC are the separation of management from ownership (managers who are not owners), the corporatisation of ownership (pension funds, wealth management funds, venture capitalists) and the importance of asset speculation in driving portfolio investment (and short termism in management decisions). Short termism is further encouraged by obscene bonus payments tied to stock price levels and dividends and the ever present threat of vultures (private equity).

Short termism is manifest in investment decisions which look only to the next few years. It is also expressed in incentives to transfer rather than reduce risk. This was most clearly evident in the sub-prime mortgage crisis but is also evident in the externalisation of risk to the environment.

New class configurations

Globalisation, including the rise of the TNC and the expansion of the financial sector, has dramatically reshaped the configuration of class relations globally. Class still matters but older models (bourgeoisie versus proletariat; upper, middle and lower; ruling class and working class) are no longer adequate to represent the new class relations.

Robinson (2004, 2012) describes the emergence of a new global elite class which he refers to as the transnational capitalist class (TCC) characterised by shared perspective, common institutions for networking and influence, a degree of conscious solidarity, and structures to advance the interests of this class. The TCC is held together through interlocking directorates and symbiotic relations between transnational commercial banks, merchant banks, audit firms, consulting firms, insurance, transport and logistic firms. It includes public officials also through revolving doors which link the corporate and regulatory worlds and corporate and political worlds, and the sinecures which await the politicians after departing office. The coherence, size, wealth and influence (locally, nationally and globally) of this class is a key feature of contemporary globalisation and is closely related to the rise of the TNC.

Robinson emphasises the participation, in this TCC, of elites in emerging economies but comments on the fractionation of Third World elites into those who are more globally and those who are more nationally oriented.

In addition to this global elite there is also a global middle class characterised by increasingly shared values and outlook (individualist, competitive, possessive materialism). This class is persuaded by neoliberal propaganda and invested in the capitalist economy through pension funds, housing affordability and access to quality education. However, this

middle class is less mobile and more nationally oriented than the TCC and in times of economic insecurity capable of quite nasty xenophobia.

In the sense that workers in rich and poor countries are all working for the same TNC bosses it would be fair to say that there is a global working class evolving. However, there is very little evidence of any sense of solidarity or consciousness of belonging to the same class, despite the static or declining economic status of the rich country working class and the widening gap between the elites and working class.

The rich country working class is bearing the brunt of collapse, austerity and unemployment and is confused and angry. The divide and conquer logic of the TCC has been very effective in exploiting the gap between working class of rich world and the dispossessed of the poor world. This is expressed in xenophobia towards migrants and ‘they stole our jobs’ attitudes to workers in the emerging economies. The working class in the newly emerging economies is fragmented and largely fixated on national governments as the focus of hope or anger.

Finally, there is the globally excluded class, the unemployed and destitute of the rich world, the emerging economies and the excluded economies of the global South. This global reserve army of non-workers and non-consumers has little sense of global solidarity despite their common situation and their politics is largely focused on national government as the focus of hope and anger.

Cutting across this economic perspective on the global class configuration are various cultural movements including various forms of nationalism (China), regionalism, Africanism, Latin solidarity in Central and South America and Islamic fundamentalism. Clearly these cultural movements arise out of and contribute to the evolving political economy.

Against this background it is important to delineate the sites of resistance, the counter-hegemonic pressures and the kinds of scenarios which might destabilise these relationships. Counter-hegemonic drive can be seen in the internationalisation of various social and political movements (including labour, small farmers, environment and development solidarity movements as well as the (relatively small) Health for All movement), and the nationalism and regionalism of countries which are not yet completely dominated by TNC interests. Scenarios of destabilisation may be sketched based on climate change and environmental damage; continuing economic crisis and crumbling legitimisation of the prevailing TNC order.

Home state – TNC relationships

While the interests of TNCs clearly diverge from those of countries, including the home country, it is evident that rich country governments are powerful advocates for TNCs in general and ‘their TNCs’ in particular, witness the support of the UK for the banks of the City and the support of the USA for big pharma. It is important to unpack these relationships as part of understanding possible scenarios of change.

We may assume that rich country politicians are accountable to both the ‘national interest’ and to the corporate lobbyists who speak for the locally based TNCs.

The policy objectives arising in these relationships might be seen as aligned in terms of tax revenues and export earnings (exports, repatriated profit, license fees). By the same token

there may be much less alignment in the case of countries which do not benefit in these terms. However, national and corporate interests diverge widely in the face of deepening economic crisis, widespread un/under-employment, widening inequalities, the decline of public services and infrastructure and resistance to action on climate change.

These deepening contradictions are presently managed through a combination of ideology (Chomsky's 'manufacture of consent'), corruption (money politics), and class solidarity – the solidarity of the transnational capitalist class. These are not insuperable obstacles to change.

The transnational state apparatus

The development of neoliberal globalisation depend in part on the drive of rich country governments (including through war) but, as Robinson (2012) observes, an incipient transnational state apparatus can also be discerned. The elements of this institutional system include: the IMF and World Bank, the World Economic Forum and the mesh of trade agreements and investment agreements which presently span the globe. It also includes the coordinated play of high rollers in the global money markets and the driving influence of ideologically active TNCs (in particular media, marketing and 'entertainment' corporations).

The role of the IMF in policing the Third World debt crisis through structural adjustment along the lines of the Washington Consensus illustrates the logic of seeing this mix of institutions and power relations as an incipient transnational state apparatus.

In the present period preferential trade agreements (such as NAFTA, EPA and TPP) and bilateral investment treaties (BITs) play a similar role, driving deeper economic integration, increasingly restrictive IP protection and progressively disempowering nation state government through provisions such as investor protection, national treatment and restrictions on government procurement.

From long boom to global crisis

From a focus on the TNC, the vehicle of globalisation, we turn to the dynamics of the global economy since WWII. We shall review the booms and busts, rises and falls under the following headings:

- long boom (1945-1971),
- oil and turmoil (1971-1982),
- 1970s inflexion,
- monetarism,
- productivity overhang,
- Chinese US interdependence,
- sputtering instability,
- austerity.

The long boom 1945 – 1971

The developed world economy grew by about 5% per annum between 1950 and 1973, more than double the 2.3% per annum recorded in the 80 years to 1950 (Macfarlane 2006). From 1973 the average growth moved back to about 2.8% per annum. We need to understand the dynamics of the long boom as well as why it came to an end.

After the war Europe and Japan faced huge needs in terms of reconstruction and consumer goods. The war had boosted technical innovation with many flow-ons to civilian application (electronics, car and truck technology, materials). There was available industrial capacity (converted from war production) including demobbed soldiers. Post war economic development in Western Europe accelerated with the US Marshall Plan (US grants and loans to European countries to support reconstruction), German re-industrialisation and the Common Market (Treaty of Rome 1957). Post war economic development in East Asia accelerated with the Korean War, the Vietnam War and US investment in Japan and South Korea. In the USA there was industrial capacity and new technology; a huge demand for reconstruction and consumer goods because of war time austerity; a bank up of household savings (from the austerity of the war years); and demand from Europe deriving in part from the Marshall plan.

In sum, the post-WW2 environment was characterised by huge demand, increased productivity and military Keynesianism (the Cold War plus the hot wars in Korea and Vietnam). In essence the 'long boom' (1945-1975) reflected capital, labour and technology being brought together to make things that people needed and were able to pay for. Increasing productivity (associated with new technology) freed up labour to make new things and to recycle wages as consumption (hence more profit, investment and sales). There was some 'trickle down' to the poor in the rich world (associated with Keynesian policies) and to the Third World (benefiting from trade opportunities associated with rapid growth).

So what went wrong in the 1970s?

The 1970s inflection

The 1970s is a pivotal period in recent economic history. Harvey describes it as a period of transformation from a bullish productive capitalism to neoliberalism and financialisation (Harvey 2010).

By the end of the 1960s economic growth was slowing and inflation was creeping up; hence the neologism 'stagflation'. The economic slowdown was in part cyclical and in part structural. The emergence of 'jobless growth' reflected the weakening role of employment and wages in maintaining consumption. There was an emerging imbalance between growing productive capacity and effective market demand; the emergence of a post-Fordist economic configuration. Fordism describes an economic dispensation in which mass employment with above-subsistence wages contributes to economic growth through maintaining demand. The name derives from Henry Ford's defence of good wages for his workforce on the grounds that it enabled his workers to buy his cars. Post-Fordism describes an economic pattern in which production (and employment) slows because of insufficient effective demand. Those who have don't buy; those who need don't have. In the following account I will use the term 'productivity overhang' to describe growing productivity in the face of sluggish demand. We shall return to the productivity overhang.

Meanwhile inflation was creeping up across the rich world but seemingly unresponsive to domestic economic policy. The basic reason for creeping inflation was the cost to the US of the Vietnam war. By the end of the 1960s the war had been going for 15 years and the US economy was under strain. The government was spending more than it was receiving in taxes, largely because of the cost of the war, and the budget deficit was widening.

In any other country, inflation due to a prolonged period of deficit spending (spending more than it was receiving in taxes) would lead to inflation but that inflation could be contained within national borders. However, because of the international status of the US dollar, the inflation consequent upon printing money to pay for the war was exported to the rest of the world.

At Bretton Woods in 1944 the US had agreed to underwrite the gold standard to ensure currency stability in the post war period. The US would maintain gold at a fixed price of \$35 per ounce and other currencies would maintain a fixed relationship to the US dollar. However, by the end of the 1960s there were more dollars outside the US than there was gold in Fort Knox and some of the Europeans, the French in particular, were starting to convert dollars to gold.

In 1971 the US, under Nixon, announced that it was suspending its commitment to the gold standard and over the next years and beyond the USD progressively depreciated vis a vis the gold standard; in other words the number of dollars required to buy an ounce of gold progressively increased. Effectively this meant that the US was sharing the cost of the Vietnam war with its trading partners by unilaterally reducing the value of dollars people holding and there were a lot of dollars circulating outside the US.

(From the 1950s the sea of euro dollars and petro dollars circulating in Europe and Japan had been increasing, held by European and Japanese banks but not subject to any central bank control. The Euro dollar pool appears to have started with the USSR and China transferring dollars out of the US because they feared confiscation as part of the Cold War. However, they still needed the hard currency. The pool of Eurodollars expanded with the Marshall Plan and later with OPEC revenues which were not converted to domestic currencies, so-called petrodollars.)

While the cost of the Vietnam war and the suspension of the gold standard were underlying causes of the 1970s inflation, the consequent price pressures led a range of different players to defend their positions. This included unions seeking wage increases and businesses increasing prices. However, the outstanding instance was the OPEC increase in the price of oil (see below).

A further factor in driving the inflation of this period was the application and failure of Keynesian policies to manage the global economic slowdown. What is evident now but was less so then, is that the slow down had a significant structural element and was not just a 'normal' business cycle. Thus the use of fiscal and tax policy to boost employment and economic activity had a limited impact on growth but significantly boosted inflation.

The failure of Keynesian policies in this period was partly because the slowdown was a crisis of structural over-production (in relation to demand), not just cyclical over-production. However, with increasing globalisation and the increasing porousness of national borders the fiscal stimulus could equally well suck in imports as boost local production and tax reduction stimulus could equally be spent on imports.

The role of the OPEC price rises of 1973 and 1975 and Yom Kippur Oil Embargo in driving the inflation of the mid 1970s is controversial. By some accounts it was the sole and sufficient cause. More likely it was a response to the depreciation of the US dollar and an

attempt to maintain the real value of oil revenues. However, the Oil Embargo (October 1973 to March 1974) was also a significant driver of inflation.

The oil price rises of 1973 and 1975 yielded a flood of cash to the oil exporters for which they did not have an immediate need. It was deposited with the commercial banks who were then set the challenge of lending it out. Herein lies the origins of the 1980s debt trap. Salespersons for the banks travelled the world offering cheap loans, actually paying people (countries and businesses) to borrow with interest rates below the level of inflation. It is evident that capacity to repay was not a major consideration in the decision to lend.

Thatcherism, Reaganomics and Monetarism

The debt trap was set in the mid 1970s with the flood of cheap loans at negative interest rates. It was sprung with the interest rate increases of 1979-1982, peaking in the US at 19% in 1981.

During the late 1970s a debate raged between Keynesians and Friedmanites over how to manage stagflation. The monetarists (led by Milton Friedman) argued that counter-cyclical public spending and public debt were not stimulating the economy but in fact were contributing to inflation. They argued for a 'fight inflation first' strategy, to be achieved through greater reliance on interest rates, notwithstanding the expectation that interest rate increases would drive the economy into recession.

The debate was resolved by Paul Volcker (Chairman of the Federal Reserve from 1979 under Carter and reappointed by Reagan) with the interest rate rises of 1979-1981. These very steep interest rate increases led to recession and increased unemployment but controlled inflation.

It was an article of faith for both Thatcher (PM from 1979) and Reagan (President from 1980) that organised labour were to blame for both inflation and recession. Accordingly the increased interest rates were partly directed at controlling inflation but also at weakening the union movement through recession, unemployment and an aggressive industrial relations strategy. Harvey (2010) claims that the interest rate hike of 1981 was deliberately planned to reduce union power through recession. Certainly there has been progressive reduction in profit share to labour since then (Chandrasekhar and Ghosh 2013).

The productivity overhang

The productivity overhang refers to expanding (capital intensive) productive capacity (with stagnating employment growth) overshadowing effective demand owing to saturated ('mature') markets and/or markets with real needs but limited purchasing capacity.

This was a critical feature of the stagflation of the 1970s and its structural and global character was part of the reason it did not respond to standard Keynesian policy strategies. From the late 1970s neoliberalism emerged as the ideological framework for a range of policies designed to adapt to the risks associated with the productivity overhang, from the perspective of the transnational capitalist class.

However, accounting for the rolling crisis of productivity overhang and the implementation of neoliberal policies in response to it, is complicated by the continuing

dynamic of the 'long boom' (in China in particular). I shall try to separate these two dynamics in the following account but of course they were taking place coincidentally.

It is useful to consider the responses to the productivity overhang under three headings:

- the response of the finance sector to slowing growth: debt financed consumption;
- the corporate strategies adopted in response to decreased profitability; and
- policy responses to slowing growth.

Dominating the system-wide response to declining growth rates has been the growth of the financial sector. This reflects the diversion of investment flows from greenfield investment to portfolio investment/speculation, currency speculation, funds management options and various other non-productive forms of 'investment'. The increasing size of the financial sector has been associated with increased lending: to business to support corporate rationalisation (including mergers and acquisitions) financed through corporate debt and to households through credit card debt, housing and car finance. Supporting private consumption through increasing debt essentially involves recycling profit as consumption; mediated (for a price) by the banks and financial institutions.

As the financial sector bloats (through lending margins, fees and capital gains) so they need to lend more, particularly as capacity to repay, as a limit to lending, can be managed through new and more sophisticated methods for transferring risk (as was demonstrated notoriously in the sub-prime mortgage crisis). Loose credit facing limited assets leads to asset inflation, either stock values (as in the dot.com bubble) or housing (in the sub-prime mortgage crisis) or wondrously marketed derivatives. As the face value of the asset portfolio grows it can be used to lever even more debt to buy more things. However, asset inflation cannot go on forever. Sooner or later there will be a hint that asset prices are overvalued and as prices fall highly indebted borrowers crash, the banks start to reduce their exposure and more borrowers go to the wall. With each crash imprudent borrowing is punished and irresponsible lending is rewarded as the banks end up larger, more powerful and owning a larger slice of the economy. These are the origins of the emerging financial feudalism.

Meanwhile slowing growth is seen in the corporate boardrooms as reduced profitability and a number of corporate strategies are adopted:

- move labour intensive manufacturing and assembly to low wage platforms; especially China;
- find new markets, such as the middle classes of the emerging economies; (using trade agreements to gain market access is important here);
- create new products and better marketing (eg the Apple phenomenon);
- commodifying what once were family functions (meals), community functions (professional sport) and public sector functions (roads, utilities, hospitals etc);
- externalise costs, including to labour and to the environment; (restricting nation state regulatory capacity is important here);
- increase market power and therefore capacity to increase prices; (increasingly restrictive IP plays a key role here);
- consolidate production and increase market share through mergers and acquisitions;

- reduce wages through union busting, restructuring, outsourcing and relocation; and
- replace well paid labour with technology.

Several of these strategies, rational at the level of the individual business, will further reducing demand by reducing the role of employment in recycling wages into consumption.

While the banks are pushing credit on households and businesses and businesses are reducing high waged employment, further choking consumption, a range of policy strategies, now understood as part of neoliberalism are being driven through government. These include:

- labour market deregulation (union busting) to reduce labour costs (further reducing effective demand);
- cutting taxes (in particular, reduce corporate and executive tax burden) to compete for new foreign investment (further reducing effective demand via government expenditure);
- outsourcing and privatising public infrastructure and service provision; new, low risk market opportunities;
- deregulating environmental controls (to facilitate converting natural capital into recurrent revenue);
- forcing repayment of debt from Third World countries;
- forcing the emerging economies to open their markets (under the slogan of free trade) so as to access the middle class consumers; and
- economic integration through ‘free’ ‘trade’ ‘agreements’ (including restrictive IP, deregulation of public health and environment controls, investor protection, national treatment, government procurement).

This policy package corresponds to prescriptions of neoliberalism which has provided the ideological framing as well as the policy principles required to manage the slowing growth associated with productivity overhang in the interests of the TCC. Neoliberalism provides a story which supports structural adjustment; which justifies the recourse to interest rates to control inflation and break unions; and which promotes economic integration (through ‘free’ ‘trade’ ‘agreements’) in the interests of the transnational capitalist class.

The consequences of this policy package include:

- the replacement of high wage labour with low wages and technology which exacerbates the over-hang of productive capacity over effective demand;
- increasing economic integration globally creates new barriers to ‘developing countries’ industrialising and participating productively in the global economy;
- deregulation and externalising costs to the environment further destabilises global environment and defers action on climate change;
- continued growth of the financial sector reproduces the conditions for instability (asset price inflation and currency speculation with periodic crashes).

Such a negative picture could prompt the question, ‘what prevents the crisis from engulfing the economy globally?’ but the situation is already critical for millions of poorer people (in rich and poor countries). A trading regime which enforces the flow of value from poor to rich countries and a policy regime which enforces the divide between those who

participate in the new global economy and those who are excluded preserves affluence for the transnational capitalist class but for the globally excluded class the crisis has already arrived.

For those who are not among the globally excluded class, continued global growth (albeit slower) has been supported through:

- intensified transfer of value from the periphery to the metropolis (from South to North);
- growth in the emerging economies China, India, Brazil, etc;
- unsustainable exploitation of environmental ‘services’;
- role of debt in sustaining demand (recycling capital as consumption);
- global support for US consumption (supporting an over-valued dollar);

Continuing transfer of value from the periphery to the metropolis is driven by:

- debt repayment and the role of role of IMF as the enforcer;
- the need for developing countries to maintaining high dollar reserves (at low interest) as ‘insurance’ against currency speculation, meaning that the cost of capital (for real domestic investment) is higher than it need be;
- brain drain;
- capital flight and tax evasion;
- unfair trade including ‘free trade’ in manufactured goods, continued protectionism for IP and rich world agriculture and barriers to free trade in people; and
- declining terms of trade for developing countries (static prices for South North exports (eg commodities) in contrast to rising prices for North South imports (manufactures).

Global support for US consumption is a privilege of economic dominance. The US has run a trade deficit since the 1980s (import costs exceed export earnings) so US traders need to buy more foreign currency than they earn. This ‘should’ lead to fall in value of the dollar making US exports cheaper and imports more expensive. However, the US dollar remains an important medium for storing value and US treasury bonds are a convenient mechanism for such storage. Accordingly many trade surplus countries including China, OPEC and Germany have chosen to store their spare dollars by buying US treasury bonds, in effect lending to the US government. The consequence of this flow of dollars to the US has been to maintain the value of the USD, keep US consumption spending high and keep the global economy ticking over - until the subprime mortgage’ crisis...

Chinese US interdependence

The entanglement and interdependence of the Chinese and US economies is an interesting paradox, given their status as geopolitical competitors.

In 1978 China’s leadership concluded that the Chinese economy was being held back by bureaucracy and that greater use of market forces and market based incentives was necessary to overcome widespread inefficiency. The government found that economic reform by edict was not working and in the 1980s decided to use competition, in particular from private joint ventures, to drive the reform of the state owned enterprises (SOEs).

China’s need for and willingness to host joint ventures coincided with slowing growth in the imperial metropolis and offered huge scope for the transfer of manufacturing and

assembly into this newly opened low wage platform. Meanwhile, increasing agricultural productivity (associated with the return to family farming) was freeing up labour and providing cheap food and therefore a continuing supply of cheap labour.

One of the consequences of the new competition driving the reform of the SOEs was the collapse of enterprise based welfare (housing, education, health, retirement, etc) and Chinese households in the 1980s and 1990s maintained a high level of savings (against the costs of housing, health, education etc) which was largely directed into infrastructure development (roads, housing developments, universities and factories).

In order to control the value of the yuan the Chinese government required that foreign currencies earned by exporters had to be sold to the Bank of China at a fixed exchange rate. The Chinese government, through the Bank of China, thus came into possession of a large pool of US dollars which it stored by purchasing US treasury bonds. This had the effect of maintaining the buying power of the US dollar and maintaining the US market for Chinese goods.

The collapse of the US housing bubble led to a sharp contraction of the US market for Chinese products presenting the Chinese with a domestic challenge, to boost the domestic economy in order to maintain economic growth despite the fall in exports to the US, and a currency challenge, how and when to unload its US treasury bonds.

Boosting the domestic Chinese economy was achieved by massively increasing public service and welfare spending. From 2007 to 2012 health insurance coverage was massively expanded to cover the whole population. This addressed a major social problem, access to health care for the poor, as well as reducing the pressure on families to save.

The currency risk was that the US would allow its currency to depreciate with a view to facilitating US exports (now cheaper) and choking off imports (now more expensive on the US market). If the US prints enough money (under 'quantitative easing') to cause inflation this would cause depreciation of the US dollar vis a vis other currencies. The risk to China would be that the funds lodged in US bonds would lose value as and when the USD depreciates. On the other hand any significant reduction in its holdings of US bonds would cause exactly that depreciation and loss of value.

While the Chinese economy is not separate from that of the rest of the world the dynamics of economic growth in China are significantly different from the productivity overhang which characterises the capitalist imperium. The Chinese economy corresponds more closely to the Fordist balance of production and consumption than the post-Fordist imbalance of productivity overhang.

The story of China since 1978 has been one of increasing manufacturing productivity (capital, human resources, technology) which continues to free up labour to make and sell more expensive things. Notwithstanding the policies of export orientation a huge domestic economy has developed with wages feeding consumption and maintaining profit and investment. As taxes are redirected from investment to social security more household expenditure will go to consumption.

China has a number of advantages in dealing with TNCs and the capitalist metropolis. These include high levels of education, a strong work ethic, huge markets, and labour

supplies. However, equally critical has been strong government able to drive technology transfer and control exchange rates for export earnings. Not all developing countries negotiating foreign direct investment have these advantages.

Sputtering instability: 1980 to now

The global economy since 1980 can be described in terms of two parallel dynamics co-existing; first the continuing threat of post-Fordist crisis (jobless growth, structural over-production) in the imperial metropolis; and second the Fordist dynamic of the long boom, manifest in China and to a lesser extent India and other emerging economies.

However, there is still a continuing flow of profit into finance, and from finance into debt which helps to maintain (debt funded) consumption at the cost of the continuing expansion of the finance sector and periodic financial crises. We return to the periodic financial crises below.

Casino capitalism

The size and power of the financial sector is a defining characteristic of the contemporary global economy.

The financial sector includes deposit taking banks, investment banks, hedge funds, private equity funds, pension funds, managed investment funds, wealth funds, high wealth individuals, insurance companies. Some of these serve useful purposes: managing household savings, lending to cover gaps in time between expenditures and revenues and lending for investment. However, their other activities include

- speculation: purchasing assets (land, currencies, equities, companies, derivatives) in the expectation of appreciation;
- asset stripping: support for mergers and acquisitions, private equity funds;
- vulture funds: buying up discounted debt with a view to pursuing debtors;
- predatory lending: trapping people and countries into debt peonage;
- fee mugging; low margins, high fees;
- arbitrage: taking advantage of minor price differences for the same asset in different exchanges or different forms and buying cheap and selling dear
- manipulation. eg surreptitious buying bids up the asset followed by sudden selling to realise profit (at the expense of those left holding a depreciating asset), eg speculative attacks on weak currencies.

The financial sector has grown hugely over the last 50 years. This has been associated with the emerging productivity overhang, and the shift of capital from productive investment to debt powered consumption and speculation.

However, the growth of the financial sector has been planned and steered as part of the neoliberal agenda to make globalisation work for the TNCs (including the banks) and the TCC. The institutions of the emerging transnational state (TNS), including the IMF, the World Bank, the WTO, the OECD, G8 and regional 'development' banks have all collaborated in the reshaping of domestic economies and the international regulatory regime to facilitate the rise and rise of transnational finance.

One of the fundamental laws of the new TNS is that when borrowers get in trouble, no matter how reprehensible the lending practices of their creditors, they must pay their debts.

When developing countries were caught in the debt trap from the early 1980s the IMF undertook to restructure their economies with the sole objective of continuing to service their debts, notwithstanding the devastating impact on health, education, welfare, housing, farming, etc. In the sequence of financial crises (Mexico, Argentina, Asian Crisis, Russia) which have followed countries have been forced by the IMF to raise interest rates (to recession levels) in order to attract capital inflow to maintain currency values to ensure that the full value of the debt is repaid.

Predatory lending is reasonably safe if you can transfer the risk (as in the sub-prime mortgage crisis) or if you can be assured that the IMF and the ECB will step in to enforce repayment, no matter how unsafe the original loans.

Financial crises

Asset bubbles have a long history including famously the tulip bubble of 1637 and the South Sea bubble of 1720. Investors gamble on asset appreciation going on forever. The parasites who earn a fee from such speculation encourage this belief. The political cheer squad who benefit from the illusion of good times also encourage the belief.

In the context of the productivity overhang there is a continuing flow of profit which is not going into productive investment. Some of this goes to the banks (who must lend it out to earn interest) but much goes directly into speculative asset purchases (companies, equities, currency, art, housing, whatever). Loose cash and loose credit lead to asset bubbles (of which the subprime mortgage crisis is the latest) all of which must collapse in due course destroying illusory value, bankrupting households and businesses but leaving the financial sector that much stronger each time. With each collapse ownership of the assets which were hocked during the boom transfers to the financial system. Notwithstanding the fact that these assets have lost much of their value the feudal landlord role of the financial sector has been strengthened.

Asset bubbles always pop; families lose their homes; businesses fail; pension funds and municipalities lose their capital. Consumption expenditure, employment, tax receipts and public expenditure all contracts. The scene is set for recession.

However, the banks have another problem. The banks (those who didn't off load their shonky products on to pension funds and municipalities) are carrying a heavy load of bad debts. Lending slows as the banks seek to restore their liquidity. The relative lack of liquidity in the economy further slows down economic growth as funding for real investment in jobs and production is constrained.

Governments are held hostage by the banks. Restoring liquidity to the economy means restoring liquidity to the banks; cutting public expenditure to bail out the banks because they are 'too big to fail'. Loans to governments (or guaranteed by governments) must be repaid, no matter how irresponsible the original lending.

The European sovereign debt crisis is a bit more complicated. Monetary union gave the weaker peripheral economies of the Eurozone direct access to the German banks (flush with cash and keen to lend). However, all the risk lies with the borrower. As the banks seek to rebuild their liquidity after the global financial crisis Greece is required to choose between leaving the Eurozone or repay in full. The ultimate effect is a massive transfer in wealth from

Greek people to German banks. The burden is carried by the elderly who lose their pensions, workers who lose their jobs and the communities who lose their hospitals.

Sub-prime mortgage crisis

The sub-prime mortgage crisis derives significance from two factors: first, that many parts of the world are suffering from the consequences; and second, that it illustrates the use of technology to transfer risk (opaquely) which therefore removes any restraint over loan pushing.

The background to the sub-prime mortgage crisis was the productivity overhang from the 1970s and the increasing flow of resources into speculation and predatory lending.

From the early 2000s there was a gradual build up in house prices in the USA. This was partly due to the myth of continued expansion (capitalism could be managed: the ‘great moderation’); partly the herd mentality of the speculators; and partly the ability of loan originators to pass on the risk of sub-prime mortgages (where ‘sub-prime’ means relatively poor risk). Selling one mortgage (actually selling the income stream) makes it very easy for the purchaser to assess the risk. However, if mortgages are bundled up in their thousands (‘mortgage backed derivatives’) and categorised by the vendor as good, medium or poor risk, it is harder for the purchasers (eg pension funds, insurance companies, municipal government authorities) to assess risk and makes it more likely that they will accept the risk categorisation of the vendors.

During the expanding bubble, as house prices increase, banks are happy to lend more money against the title of the house for further purchases: holidays, boats, SUVs, caravans, etc. This is the so-called wealth effect, the increasing wealth (actually increasing credit) associated with asset appreciation.

The bubble bursts when a small number of creditors (lenders) start to lose confidence and slow down their lending or even ask for some of it back. When sufficient number of people start to reduce their exposure the banks are forced to slow their lending and start reducing their risk. As market sentiment moves from hubris to fear the crash proceeds.

House prices fall; ‘wealth’ becomes ‘debt’. The banks start to ask the over-extended debtors to repay their loans. Those who were poor risks in the first place are the first to default but as the prices collapse many over extended families, businesses and banks are under pressure.

Consumption contracts, businesses cut costs, employment rises, house prices fall further. The banks are now in trouble and the start ‘deleveraging’ (reducing the amount of money they owe to other banks; rebuilding their asset base). As all the banks are deleveraging at the same time, credit dries up (a credit freeze) so production and employment contract because further as credit dries up and so consumption slows further. The recession hits tax receipts which adds government cuts to the credit freeze plus recession. Further corporate retreat leads to further unemployment.

At this point the countries and overseas banks who have lent money to the US (have bought treasury bonds) are starting to worry about the continued power of the US market. If US consumers slow down, production and employment elsewhere will contract sharply.

If the US exports fall more than US imports the US dollar will lose value in relation to other currencies so people or countries who have lent money to the US will be watching their savings evaporate. If they stop buying US bonds (perhaps buy oil futures instead) they will accelerate the collapse of the US dollar and the loss of value of their existing bond holdings. If the USD falls, US exports will become cheaper but imports will become more expensive and will slow which will export the recession to the rest of the world.

Policy responses to the sub-prime mortgage crisis included:

- lowering interest rates to make funds cheaper for the banks seeking to cover their debts;
- government lending money to the banks;
- government giving money to the banks (by buying from them at very generous prices the very same mortgage backed securities which had led to the crisis);
- direct bailouts of individual banks, sponsored take-overs and (a few) bankruptcies.
- economic stimulus (cash and some support for mortgagees); and
- government debt (increased spending in excess of tax receipts).

European sovereign debt crisis

European banks had lent money to US banks and had purchased mortgage backed securities from US banks (including the shonky packages). The US sub-prime mortgage crisis thus stressed the European banks, not just those who were directly exposed but all of them because banks borrow from each other all the time.

After survival, the priority for the European banks was thus deleveraging; calling in loans and lending less in order to build up their asset base to cover the increased risk of being caught short. In short a credit squeeze or liquidity crisis. How did this precipitate the sovereign debt crisis in the 'peripheral states'?

In the years before the sub-prime mortgage crisis German companies were achieving strong export sales and were generating a trade surplus, much of which was stored in US government bonds. Despite the buying of US bonds the Euro was strong and the financial system flush with cash.

Under monetary union, the peripheral states benefited from the strong Euro (cheaper imports from outside the Eurozone) and from the easy credit. Monetary union gave the 'peripheral states' direct access to German banks and, like all bankers, the German and French banks abhorred having too much cash in the vaults, and were quite happy to lend money to Greek households, businesses and government bodies without too many questions being asked (just as they had lent to the gangsters in Iceland).

With the sub-prime mortgage crisis comes the liquidity crunch and the need to deleverage and slowing exports because of the collapse of the US market. With slowing exports, tax receipts also slowed. The US sub-prime mortgage crisis morphed into the global financial crisis (GFC). Midst the failures of British banks (eg RBS and Northern Rock) the German and French banks required repayment of Greek loans as they came due and charged heavily for roll overs. As the cost of repayments plus higher interest rates hit the Greek economy the European Central Bank and the European Commission joined the IMF as the 'troika' and imposed severe austerity on Greece as a condition for rolling over Greek debt.

No matter how predatory the banks' lending practices, it shall be the Greek pensioners who repay the loans. Pension cuts, job cuts, school and hospital closures are just some of the consequences of this new regime of 'structural adjustment'. If Greece had not joined the Eurozone it could have shared the pain with the banks by depreciating its currency and paying back less in real value while paying in full on face value. Depreciating its currency would also have made its exports (including tourism) more profitable.

Austerity has been implemented across Europe, much more widely than just the 'peripheral economies'. The wider context includes the slowing down of the US market but more pressing the cutting off of debt funded consumption as the banks seek to rebuild their asset bases. In the UK the cost of deleveraging is being supported through the progressive privatisation of the NHS.

Previous financial crises

Not all financial crises start with a bubble. Other common initiators include interest rate increases (Latin American debt crisis of 1982), speculative currency attack as in the 1997 Asian crisis, or an economic shock as in the Russian crisis of 1998 (the collapse of oil exports following the Asian crisis).

However, when governments face a high debt burden and are forced to approach the IMF for support, a common set of policy measures are generally imposed including various forms of austerity.

There is much more to be learned from further study of these previous crises (Akyüz 2012 would be a good place to start).

Economics of health

The economics of health is critical to understanding the global health crisis, the global distribution of health and global health policy. It is a complex two way relationship. The macroeconomic environment shapes population health and shapes health care policy. But health is also a consideration in macroeconomic policy thinking; first, the health system as a sector of the economy and second, population health as economic resource (as either asset or consumable).

The macroeconomic environment shapes population health

Economic development and increasing wealth contribute to health development but only up to a point. The Preston curve (Preston 1975, Ganfyd 2007) demonstrates that improvements in life expectancy with increasing per capita GDP slow down at around \$7-8,000; after this improving GDP per capita has much less impact on life expectancy.

Macroeconomic policy frames the social and environmental determinants of health. This is evident in occupational health, urban living environments, investment in housing and infrastructure, social protection, income inequality and social participation. Less direct influences include regulation (and whether decent laws are policed), deregulation (and the race to the bottom) and trade laws which limit government capacity to regulate for health (in particular investor protection provisions).

The macroeconomic environment also shapes health care policy

The level of health care which the population as a whole can access depends on the aggregate resources available to pay for health care (public or private; out of pocket or pre-paid).

It is nonsense to say that the public sector cannot pay for health care; therefore health care must be provided through the private sector. Resources which can flow through private channels can also flow through public channels. To say the public sector cannot pay too often means that rich people and corporations should not have to contribute to the cost of health care for poor people. Public sector revenue for public sector health care depends upon tax capacity which depends upon economic capacity (gross domestic product) and willingness of the population to pay tax. This latter depends in part on trust in government to deliver services efficiently and also the prevailing sense of solidarity (across income groups) which itself depends in part on the prevailing degree of income inequality.

Private friendly health care policies (private financing and private provision) are associated with low tax ideology, often driven by the corporate auction for FDI ('tax competition'). However, if the costs of private insurance become burdensome on households or employers there may be need for a public subsidy to reduce the burden on employers. The role of US Medicare in taking over the cost of health care for older people illustrates.

Population health is an economic resource (consumable and capital asset)

The history of slavery, of the industrial revolution in Europe and the US and of poorly regulated mining in modern China all testify to the idea of healthy labour as a resource to be consumed; where loss of health (health as a negative externality) constitutes an input to production.

This reality has been obscured by the unctuous spiel of the World Bank (1993), seeking to demonstrate that there is no conflict between neoliberal economic policy and health, to the effect that healthy labour is an input to agricultural and industrial productivity and therefore a resource to be nurtured. Of course it is true that plantation workers in the American South suffering from hook worm were not very productive because of their anaemia and that preventing hookworm infestation improved productivity. It is also true that countries with a high prevalence of untreated AIDS carry a major economic handicap because of the sickness and death among what should be highly productive age groups.

However, the denial (by omission) by the World Bank (1993) of the economic benefits of exposing workers to asbestos or exposing children to tobacco should serve as a warning regarding the Bank's reliability as an authority on health.

Health system as a sector of the economy

Finally, the health system is a sector of the economy and this also shapes health policy.

High out of pocket health care costs will force families to save against the risk of ill-health. Health care as a driver of household savings can be an important policy lever. Singapore established individual medical savings accounts as a way of encouraging savings. Following the global financial crisis China greatly expanded public expenditure on health insurance in order to take the pressure off families; to get them to save less and spend more.

Part of the neoliberal spin on public finance has been to privatise pensions and health insurance (where these have previously been publicly provided). Likewise installing user pays for education forces households to save for this as well. The policy benefit here is not about spending or saving but forcing households to transfer funds to private financial institutions. If pensions, education and health care were paid for from taxation on a pay as you go basis, taxes would be somewhat higher but households would not be required to pay their tithe to the financial sector.

Private health care and private health insurance provide opportunities for investors which are not available in the public sector. However, the supply industries which service both public and private health services represent a significant slice of the national (and international) economy. The pharmaceutical industry is the stand out publicly because health care is such an important market for pharmaceuticals but expenditure on electronics and plastics, hotel services (including food) and construction is also high.

Finally it is necessary to note how health care (and related industries) are also export prospects. The breadth of this reality can be illustrated with reference to medical tourism (Malaysia, India, Thailand, etc), remittances (Philippines), pharmaceuticals (Switzerland) and intellectual property (USA).

Building new stories about our concerns and objectives and structured around our own agency

The partial stories approach has two sides: first, acquiring partial stories about the global economy and how it can affect health and health care; and second, weaving new stories of explanation and of strategy around the specific issues in which we are engaged; contextualising those issues in relation to the global economy and framing responses which address both our immediate issues and also the larger scale economic challenges.

In the remaining part of this chapter we shall touch upon a number of issues which are the focus of political engagement in various places and see how these issues might be contextualised (in terms of political economy) and how coherent strategies of engagement might respond to the larger scale political economy as well as responding to the local and immediate issues.

The post 2015 'development' goals

As the year 2015 looms there is a global conversation around the 'post 2015 development goals' which will replace the Millennium Development Goals which are supposed to have been achieved by 2015. This conversation is largely restricted to intergovernmental bodies such as WHO, UNDP, OECD, G8 and the World Bank; to the bilateral donors and recipients of 'development assistance' and to the various NGOs, big and small, which are part of this 'development community'. The WHO Secretariat has been lobbying for 'universal health coverage' to be accepted as one of the leading goals in whatever succeeds the MDGs.

In its submission to the UN consultation on the post-2015 'development' agenda PHM argued:

- Development must not be construed solely as economic growth and industrialisation; it must include cultural and institutional development; and include the rich world as well as low and middle income countries (LMICs). The right to health will not be achieved without commensurate social, cultural, institutional as well as economic development. The determinants of health arise in social practice across all sectors including work, agriculture, trade, education and culture among others. 'Development goals' that speak of health but do not aim for broadly based equitable and sustainable development would be a hoax.
- Addressing the global health crisis requires that we confront the social, economic, political and environmental determination of health, as well as the prevention and treatment of specific diseases. As a tool for shoring up the existing distribution of privilege, in the face of the looming crisis of globalised capitalism, the ideology of neoliberalism is promoting exclusion, exploitation, inequality and environmental degradation; it is transferring the functions of governance to the anarchy of the market. A new economic order and new forms of global regulation are critical prerequisites to address the challenges of today and the post-2015 period.
- Unless reform of the global economic and political architecture is put on the table, there is no point in discussing a post-2015 'development agenda' for health or any other purpose. The current drive for global economic integration through 'free trade' agreements is designed to protect the prerogatives of transnational corporations and global elites, but makes it increasingly difficult for nation states to achieve sustainable development and universal social protection.
- The post 2015 development agenda must work towards new approaches to national and global decision making, based on popular participation, direct democracy, solidarity, equity and security. The MDGs presumed that development could be achieved solely through international aid; this is an illusion which has served to divert attention from the deeper political issues of governance. The prevailing 'charity' model needs to be replaced by a human rights-based approach with clearly delineated responsibilities and strong accountability to civil society.
- Sustainable and equitable development - including governance reform and the restructuring of economic and political relationships – will be achieved only if people's movements unite across sectors, cultures and national boundaries and articulate a coherent set of goals and strategies for change. There will be fierce opposition from the corporate sector and from those nations and classes whose privilege depends on continuing economic integration globally notwithstanding the instabilities of this regime. Carrying out these struggles will require solidarity, determination and political organisation. We call for leadership across civil society worldwide and from progressive governments in the global south.

It is quite Orwellian to use the term 'development' to describe the charity provided by the rich countries in order to bestow a fig leaf of legitimacy on the neoliberal regime. The neoliberal discourse of development can be traced back to Rostow's linear sequences of economic development: from traditional society, to the pre-conditions for take-off, take-off, maturity and mass consumption (Rostow 1960). Rostow treats each country as a separate isolated economic entity: preparing, taking off and finally enjoying mass consumption.

There are many weaknesses in this model but the failures to recognise the interconnectedness and the boundedness of the global economy have to be among the most significant. If Vietnam is advised to invest in coffee growing, of course other countries will do likewise and the price of coffee must fall which benefits Nestle but not Vietnam. The

global market is finite and depends in large part on wages. If Japan produces all the cars the world needs there will be a lot of unemployed (potential auto) workers in the rest of the world, unable to buy cars of any kind. Of course the think tanks of the transnational capitalist class (TCC) are well aware of the productivity overhang but for them it is of less importance than their continued affluence.

Neoliberal discourse is not simply an ideological cover for the self-interest of the TCC. It is an important policy instrument to maintain the hegemony of this class. The delegitimation of this discourse seriously threatens the dominance of this class.

Polycentric regionalism

One economic model which does recognise the globally constrained nature of the economy is Samir Amin's polycentric regionalism (see, for example, Amin 2003). Amin characterises the current neoliberal regime as a unipolar world dominated by transnational capital and the US military. He argues that a multipolar world is the necessary framework for alternatives.

The building of a multipolar world will have to pass through a process of regionalization; the rise of new forces committed to 'delinking' can no longer be conceived or defined only at national levels, but will have to be completed and consolidated at regional levels.

In today's conditions, then, a multipolar world is first and foremost a regionalized world. Regional interdependence, negotiated and organized in a way that permits nations and dominated classes to improve the terms of their participation in production and their access to better living conditions, constitutes the framework for this building of a polycentric world. It certainly implies action beyond the nation-state, especially small to medium-sized states, and forms of economic and political regional organization that allow for collective negotiation between regions.

...

In this transition, the emphasis is on three principles largely neglected in the twentieth century that take account of deep tendencies of global transformation. The first is the principle of democratization as an open-ended, multidimensional process through which people begin to become more aware of the economic alienation that has to be combated. There is thus a gradual progression from projects and visions of ongoing liberation within capitalism to ones of liberation from capitalism. The second principle is what we might call a humanist globalism, which involves placing in command the many-sided right of individuals and collectives (instead of 'business law' in the service of capital) and helping to create an internationalism of the peoples as a counterweight to the transnationalism of capital. The third principle is that of regionalization, seen as an effective means to reduce the polarizing effects of the deployment of capital.

Amin on 'self-reliant development'

The option of self-reliant development cannot be ignored. Self-reliant ('autocentred' or 'endogenous') development, driven mainly by the dynamic of internal social relations and reinforced by ancillary external relations, historically characterized the capital accumulation process in the capitalist centres and has shaped the resulting forms of

economic development there. In the peripheries, by contrast, the capital accumulation process mainly derives from the evolution of the centres; it is grafted on to that evolution and is in some sense dependent upon it. , Self-reliant development therefore presupposes what we may call the five essential conditions of accumulation:

- *Local control over the reproduction of labour power. In an initial phase, this requires the state to ensure that agriculture develops sufficiently to generate a surplus at prices that meet the profitability conditions of capital, and, in a second phase, that the mass production of wage goods keeps up with the expansion of capital and the total wage bill.*
- *Local control over the centralization of surplus. This requires not only the formal existence of national financial institutions but their relative autonomy from flows of transnational capital, so that the country in question is assured of the capacity to steer investment of the surplus.*
- *Local control over the market largely reserved for national production, even in the absence of high tariffs or other forms of protection, and a capacity to compete on the world market, at least selectively.*
- *Local control over natural resources. This requires that, whatever the formal ownership, the national state has the capacity either to exploit resources or to keep them in reserve. Oil-producing countries do not have such control unless they are actually free to 'switch off the tap' (which would mean that they preferred to keep their oil under the ground rather than hold financial assets that could at any moment be taken from them).*
- *Local control over technologies. This requires that the technology in question, whether locally invented or imported, can be quickly reproduced without the indefinite import of essential inputs (equipment, knowhow, and so on).*

...

The concept of self-reliant development, as opposed to dependent development resulting from unilateral adjustment to tendencies that govern the deployment of capitalism on a world scale, cannot be reduced to the antinomy between import-substitutionism and export-led growth. The latter two concepts come from the textbooks, which ignore the fact that economic strategies are always implemented by the hegemonic social blocs in which the interests dominant in society at a given time find expression. Furthermore, even for vulgar economics, all strategies implemented in the real world combine import substitution with an export orientation, in proportions that vary with the conjuncture. The model of self-reliant development is based upon a close and important interdependence between output growth of production goods and output growth of articles of mass consumption. Self-reliant economies are not self-enclosed; on the contrary, they are aggressively open, in the sense that their export potential helps to shape the world system as a whole. The correlation we have just defined corresponds to a social relationship whose main terms are constituted by the two fundamental blocs in the system: the national bourgeoisie and the world of labour. By contrast, the dynamic of peripheral capitalism - the antithesis of self-reliant central capitalism by definition - is based on a different fundamental correlation: between export capacity and minority consumption of imports or goods produced locally by import substitution. This defines the comprador (as opposed to national) character of the bourgeoisies of the periphery.

Privatisation and austerity

The austerity regimes being implemented in Europe and the deepening poverty and inequality in the USA are sources of instability for the regime of neoliberal globalisation but there is no assurance that progressive change will emerge from this instability. The rising xenophobia regarding refugees and asylum seekers points to very negative dynamics. Not surprisingly current policy solutions driven by the TCC are entirely directed at shoring up the neoliberal regime.

In Latin America and in parts of Africa various forms of regionalism are being explored. The US drive to finalise the TPP is in part directed at forestalling the emergence of a regional economy in East and South East Asia in which China would play a leading role. The TCC has a firm foothold in most developing countries and will gladly deploy whatever divisive initiatives are needed to prevent regional solidarity of the kind urged by Amin.

It is not clear how progressive movements in Europe and North America might confront the immediate pressures of austerity in ways which widen the opportunities for a more sustainable restructuring of the global economy. Responses to the needs of asylum seekers and undocumented immigrants provide a specific context in which this question needs to be asked. At a general level it seems necessary to make the links between the global political economy which drives migration and the need for solidarity with the asylum seekers.

It seems that building a wider understanding of how the global economy works is a precondition for developing strategies which achieve some coherence between the local immediate issues and the broader economic reforms which are needed.

Some strategies are self-evident even without such clarity including: building international solidarity, confronting global warming, defending the rights of immigrants, and opposing the extension of the neoliberal regime through new trade agreements.

Regulating the TNCs for better health

There is a growing resistance to neoliberal globalisation from a wide variety of sources (including the anti-austerity movement in Europe, Occupy in the US, regional capitalism in Latin America, and indigenous and alternative life style communities everywhere). However, while resistance and delegitimation are necessary there is also a need for more specific policy ideas which can project scenarios of constructive change and demonstrate the feasibility of structural reform.

Given the direct damage that TNCs are mediating with respect to health it is necessary for health advocates to confront the challenges of taming the TNCs. A minimal position would be a combination of national and international regulatory instruments with clearly stated policy parameters; explicit principles, codes of conduct and standards; transparency and accountability; and meaningful sanctions.

A more radical program would address the need for structural change, not just regulation. This might start with some kind of analysis of public interest criteria which might justify transnational reach by single corporations. Corporations not meeting such criteria should be broken up. In addition to breaking up, there is a need for reconsideration of management incentives so as to align more closely the public interest and the corporate objectives. Finally, socialised ownership remains an ultimate option.

It hardly needs to be pointed out that there will be significant barriers to even to minimal standards accountability and regulation (Koenig-Archibugi 2004). These include collusion between government officials and the directors of TNCs; the revolving door; sinecures; purchase of influence; (de)regulatory competition; weak and collapsed states; subversive activities by TNCs and the continuing shadow of neoliberal ideology.

The principle of addressing the micro and immediate issues in ways which also contribute to more lasting structural change remains critical.

Cultural change

While economic structures and relationships are important they are not the only factors shaping what happens. Combatting global warming and moving to a more equitable distribution of resources are shaped in part by the tensions between solidarity and community on one hand and competitive, insecure, individualistic materialism on the other.

Human culture and subjectivity have a very wide range of expressions which are strongly influenced by material circumstances and ideological pressures. The dismantling of all forms of social protection clearly makes people more vulnerable to suspicion and xenophobia. The progressive invasion of family and community functions by market forces clearly weakens the institutions which support those structures. But not completely.

Human societies have traditions and institutions which cultivate in various ways the human propensities to gain pleasure from relationships rather than possessions; to build and rebuild community; and to cultivate the spiritual icons, rituals and practices which protect against the corruptions of materialism.

The macro micro principle still applies; addressing the immediate challenges in ways which also help to redress the larger scale factors which reproduce those immediate challenges. This should be taken as referring to the cultural and spiritual spheres as well as political economy.

Visions

Of course the world could be different. Of course we could move to a low carbon economy; of course food sovereignty everywhere could be achieved; of course we could reduce the pressure on the earth of the human population.

If only ...

History offers some warnings for progressive political movements: beware utopias, beware dogma, beware top down leadership.

While we are inspired by visions of what might be we need to recognise the limits of human imagination. Visions of what might be can inspire us but they can also capture us.

We need to remember also how seductive is certainty and recall the failures of political movements which offer certainty with respect to explanations and prescriptions.

We need also to recognise the contingency of the local struggle; the contingency of local pathways of reform. The right strategy cannot be specified by some central intelligence agency but needs to emerge from the experience of local agency, informed but not contained by theory.

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