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## Globalisation, Inequality and Exclusion

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(draft only, not for quotation)

### **Introduction: Global changes, global challenges**

Globalisation can best be paraphrased as an overarching “compression of time and space” (David Harvey). The compression of time occurs by means of accelerating the processes of production, of transport and communication and also of consumption. Acceleration of production processes (or, in Marx’s words, of productive consumption) allows to produce more of the same in a given time span or to produce the same in reduced production time. In other words, the acceleration of production processes is the same as an increase of labour productivity. The growth of productivity is the positive message of free market capitalism since the times of Adam Smith and David Ricardo. The methods of increasing the “wealth of nations” by means of a productivity-growth are a widening and deepening of the division of labour, on the workplace in the factory and on a national as well as on the global scale. Thus the global market-place, the capitalist world system come into existence.

The acceleration in time and the expansion in space only are feasible by massively using fossil energy and by introducing the adequate systems of machinery in order to transform the primary energy into working energy and into use values. In economic terms acceleration translates itself into growth of GDP. No wonder therefore that since the industrial revolution at the end of the 18<sup>th</sup> century growth rates of per capita

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GDP decisively increased to an unprecedented level in the history of mankind in all parts of the world (Maddison 2001).

Although this is a long-lasting process over centuries, the concept of globalisation is of quite recent origin. It came up in the 1990s of the previous century, after the collapse of the Berlin wall and the opening of formerly protected markets. In those times it seemed so as if “the end of history” is reached and that “development” in the sense of an improvement of the living conditions of people does not matter any more. A global market system and the spread of a formal democratic order and of global rules of “good governance” are presented as the fulfilment of human development, as the realisation of a divine destiny, comparable to the Leibnizian Theodizee of the “best of all possible worlds” on Earth (Leibniz, repr. 1948). This is the philosophical background of the triumphant and trivial word coined by Margret Thatcher 1989 that “there is no alternative” to the ideological predominance of neoliberalism in the globalised world, i.e. to the transformation of the diversities of life into the “single price-rule” on the world market.

There is not only the demise of the “Second World” of actually existing socialism at the end of the 1980s but also the emergence of new competitive economies of the formerly so called “Third World”, such as China or India, or Brasil and South Africa. They are not by accident forming together with Russia the new alliance BRICS - Brasil, Russia, India, China, South Africa. Together with the group of 20, formed in the course of the WTO-conference of Cancún 2003, this new political and economic constellation in the globalised world can challenge the supremacy of the G7/ G8 of industrialised countries. Moreover, the role of material resources and of energy is much more important than ever before. The relation between exporters of fossil fuels and import-countries is changing because of the coming exhaustion of reserves of fossil fuels (“peakoil”) and harmful climate effects which dramatically change the conditions of life on Earth. This has been shown by Nicholas Stern in the so called “Stern Review” of October 2006, commissioned by the British Government (Stern Review: The Economics of Climate Change, 2006 (<http://www.hm-treasury.gov.uk>), or by the IPCC in the 4<sup>th</sup> assessment report of February 2007 (Intergovernmental Panel on Climate Change 2007 <http://www.ipcc.ch>). The outspoken message of the report is dramatic: mankind has radically to reduce greenhouse gas-emissions and therefore (because there is no other solution) to change the energy-regime in the

direction of renewables. This would include a deceleration and re-regionalisation of economic and social processes (Altvater 2005).

Therefore indeed, the differences are striking between the times of the “development state” which came up in Latin America after the Great Crisis of the 1930s and the times of contemporary globalisation (Guillen 2004). The structuralism of (especially) Latin American development theory, elaborated by important writers like Celso Furtado, Raúl Prebisch, Octavio Ianni, Theotonio dos Santos, Anibal Quijano, Armando Cordova, André Gunder Frank and many others (among them the African Samir Amin) at a first glance seems to be outdated. The focus of the national development state moved to the economic place (the region, the country) in the global economic space. However, the upcoming fashionable neo-liberalism in economic and social theory is no alternative, neither as a theoretical tool to explain the contradictory development-tendencies in the contemporary world, nor as a political remedy, apt to resolve the ardent global problems. For, contrary to the promises of the benefits of free trade, of open financial markets and market-friendly economic policy the most resounding global problems are more striking then ever before in history: hunger, underdevelopment, population growth, unemployment and informalisation of labour and ecological destruction. The question is whether there are convincing responses on these and some other challenges, among them unemployment and precarious work. In the following I touch upon these themes (but leaving the question of population growth aside). I begin with a discussion of the relation of politics and economics in times of globalisation. Then hunger as the most shocking aspect of social exclusion will be discussed. In the subsequent section I touch upon ecological limits to growth before dealing with the role of finance on global markets and their impact on the informalisation and precarisation of work. At the end the question of an alternative, solidary and sustainable economy will be mentioned.

## **1 “Global Governance” and the Causes of Exclusion**

The most important feature of capitalism since its emergence in the so called “long 16th century” (Fernand Braudel) from 1492 (discovery and colonisation of the New World) until 1648 (Westphalian peace) is the spatial expansion of the system. It is

the period in which the world market comes into existence through world trade and global direct investment by the early transnational corporations of the imperialist powers of Europe. Global commodity- and production chains since then are twining the continents. The economic system of capitalism spreads across the world without acknowledging any political or natural and social boundaries. The capitalist (world)market becomes “disembedded” from nature and society (Polanyi 1978). The spatial expansion also extends to the global environment. The epoch of colonialism and imperialism is also the epoch of ecological imperialism (Crosby 1991). Global environmental problems therefore have a long history. However, they have been recognised only recently as global problems (since the 1972 Stockholm conference on the environment – UNCE and since the Rio Conference of 1992 on the environment and development – UNCED and since the publication of the climate reports of the IPCC).

Simultaneously with the emergence of the capitalist world system the territorial borders of the nation state have been set, at least in Europe. The paradox of a nearly borderless economic space and the protected borders of the “plurality” of nation states can be explained on the basis of a Marxian understanding of the capitalist state. As a political institution it is autonomous vis-à-vis and separate from the capitalist economic system, and this very autonomy is the precondition of fulfilling the function of the capitalist state as an “*ideeller Gesamtkapitalist*”, as a representation of the interests of all, and not only of one faction of the capitalist class. The autonomy of the state very often induced the idea of the formation of a “global government” or a “planetary institution” (e.g. promoted by Josué de Castro 1972). But this was perhaps never a realistic project, and it is even less realistic in the 21<sup>st</sup> century. Instead, since Rio de Janeiro 1992 the discourse on “global governance” became dominant and fashionable in the theories of international relations. Global governance includes many other actors besides governments, namely NGOs, private corporations, international organisations etc. and it builds on multi-level (from the local to the global) and multilateral processes (of orderly negotiations), and not on a top-down approach from the “planetary” level to the local community. It prefers “soft power” instead of “hard power”, it requires multilateral rules instead of unilateral or “monopolar” power politics.

Global governance extends to the economy, the social order and to the political system, and the rules are designed by “the international community” and worked out and monitored by international institutions such as the UNO, the WTO, OECD, IMF and World Bank. The rules of “good governance” on the different levels from the national to the local must be observed by governments in order to be eligible for development assistance or for acceptance by the “international community”. They explicitly exclude (national) political control over markets and particularly that over foreign investment flows and over financial investment funds (Söderberg 2006 calls this kind of “good governance” “pre-emptive development”). By forcing all governments to open national economies the world is transformed into a global market place. This also happens with “economic partnership agreements” between the EU and former ACP-countries. There, the powerful actors have the say, the majority of peoples in the world have no voice on the market because they have no or only a small monetary purchasing power. They are excluded from determining their economic and social development. Globalisation therefore jeopardizes the most important achievement of the English and French revolutions, i.e. citizenship and the individual and collective rights derived from it. Democratic equality is sacrificed in favour of a new global financial oligarchy (Canfora 2006).

The world market of the emerging world system disregards and pulls down existing limits and frontiers because of the self-referential character of a monetary capitalist economy. National tolls and customs give way to global market rules of free exchange. Hindrances of the free movements of capital are dismantled, either by coordinated action or by pressures exerted by the most powerful nations in the world. This is showing that the “soft power” of global governance does not exclude the application of hard power by powerful actors on the market and in the political arena. It makes sense to re-read Rosa Luxemburg’s “accumulation of capital” in order to get an impression of the political and military pressures and violence applied in opening markets for capitalists of the most powerful nations (Luxemburg 1975; Bond/Chitonge/ Hopfmann 2006). The stories told by Rosa Luxemburg are not mere history, they also today are topical with regard to bilateral trade and investment agreements.

The unleashed market forces were the theme of Karl Polanyi (1978) who for the 18<sup>th</sup> and 19<sup>th</sup> century in Great Britain described them as a process of “disembedding” of

markets out of society. In human history, he argued, markets always have been embedded into society. Only in modern capitalism markets also rule the social system with disastrous impacts especially on labour power, human living conditions inclusive the health system, nature and money. Markets for these commodities are working like “satanic mills” and destroying the natural environment and the social fabrique which is a precondition of development in the same manner as the “structural heterogeneity” is a hindrance to it.

The system of nation states, however, is a bounded system. It is based, first, on the establishment of political definitions of citizenship and it sets up rules of inclusion of citizens and exclusion of non-citizen. The modern, contemporary European policy vis-à-vis migrants is an especially sinister emanation of this general characteristics. Secondly, the territory of nation states must be defined; without a clear und uncontested border there is no sovereignty of the nation state. This is the tragic experience of the Palestinians because of the difficulties to define a coherent territory against the obstructive policy of settlements of Israel supported by its allies in North America and Europe. Thirdly, the relative and (in the words of Susan Strange: relational) power of states must be balanced in a concerted system to avoid or to reconcile conflicts. Globalisation therefore is a contradictory process of simultaneously dismantling borders which hamper economic activities and of establishing borders of nation states vis-à-vis other nation states and unwanted human beings.

Therefore the question of limits and borders, of exclusion and inclusion is essential for an understanding of global economic trajectories and political regulations. For a long time of capitalist development they are beyond the perception of most peoples; nobody simply pays attention to them. But when the capitalist economy approaches the limits of the carrying capacity of natural resources and sinks and the “social limits to growth” (Hirsch 1980) the loss of social legitimacy of the predominant development model becomes a challenge for globalisation. Therefore the compression of time and space is not a process without conflicts and without triggering people’s resistance against the negative consequences of globalisation for living and working conditions of peoples. Hence, any analysis of globalisation has to find appropriate concepts for an understanding of globalisation-critical movements. They must follow the methodological requirements of openness in a historical sense,

of pluralism and of multidisciplinary (Burkett 2006). They have to include political economy, political science, social sciences, ecology and cultural studies in order to better understand the contradictions of globalisation processes. Only by following this rule it is possible to effectively criticise the ideologies of the benefits of globalisation promoted by neoliberal think tanks, the international institutions, the majority of scientists, the national governments. By following this methodological line it is possible to adequately understand the relation between open markets, bounded states and new forms of governance, to recognise the dialectics of inclusion of the ones into the world system and the exclusion of many others. This understanding is necessary for the articulation of positions and strategies of the globalisation-critical movement.

## **2 The most dramatic Form of Exclusion: Inequality and Hunger**

In the “Communist Manifesto” from 1848 Karl Marx and Friedrich Engels praised the great achievements of the bourgeoisie in widening the narrow horizon of pre-capitalist communities and of considerably enhancing the productive forces, thus accelerating the accumulation of capital and stimulating the growth of incomes. But they also added that the wealth under capitalist conditions is distributed unequally and unevenly. Therefore wealth and poverty increase simultaneously, and this divide is responsible for the social exclusion of poor strata of many societies. Moreover, they argued that the inequality of the distribution of incomes has to do with the contradictory position of workers and capitalists in the production process. This is the reason why the “class perspective” cannot be excluded from any analysis of capitalist accumulation (Burkett 2006). This requirement still is topical in times of globalisation.

The double statement of increasing wealth and of growing poverty in the “Communist Manifesto” of 1848 has been confirmed by Angus Maddison’s long-term statistical analysis (commissioned by the OECD) of the growth of GDP per capita in all world-regions from the year 0 until the end of the 20<sup>th</sup> century (Maddison 2001). Wealth and poverty of nations and peoples are the flip sides of the same medal. The poverty in the contemporary world is measured by official institutions such as the World Bank or the UNDP, and they make evident that the

number of poor people especially in Africa increased despite the self-obligations of the “international community” laid down in the “millennium goals” of 2000. Reports on the global wealth are provided not by official organisations but by private consulting firms such as Merrill Lynch and Capgemini. They are interested in collecting data on potential financial investors which they can offer investment opportunities. The reports exhibit the fact that under capitalist rule the wealth is tremendously growing ([http://www.de.capgemini.com/presse/pressemitteilungen/archiv\\_2005/wwr/](http://www.de.capgemini.com/presse/pressemitteilungen/archiv_2005/wwr/)). It is hard to say that the rich belong to the included and the poor to the excluded. Yet, the poor are excluded from access to goods on the market place and more and more negatively affected by the privatisation of public goods and services, which is a direct consequence of the conditionality enforced by the rules of the “Washington Consensus”, by the ingredients of “good governance”. The rich, however, also are excluded because many of them defend themselves behind a fence in gated communities.

In the sphere of individual consumption the mentioned acceleration and unfair distribution also have their place. It appears as fast food which for its part is dependent on an acceleration of food-production. At a first glance this could be interpreted as a beneficial device to make the world free of hunger. But hunger is not only a result of an insufficient quantity of food, but also of its low quality. This is the reason why the UN Human Development Program (UNDP) differentiates between *food security* (provision of a sufficient diet in terms of quantities of calories, proteins etc.) and *food safety* (the steady availability, quality and health of food). Moreover, the health of peoples is not only jeopardised by a deficit of calories and nutrients but also by the contrary, by an abundance and a wrong and unhealthy composition of nutrients. In the USA a study on childhood obesity shows 17,1% of US-American children and adolescents considered obese and a further 16,5% at risk of becoming obese (Financial Times, 14-09-06). Hunger and obesity likewise hit the lower classes and the poor in rich countries. The dialectics of development and underdevelopment also is present in the field of individual alimentation and nutrition: Obesity in rich countries and mal-nutrition and even hunger in poor areas are two sides of the same unsustainable model of development and alimentation.

Table 1

Overweight and Obesity in OECD-countries, percentage of population over 15 years

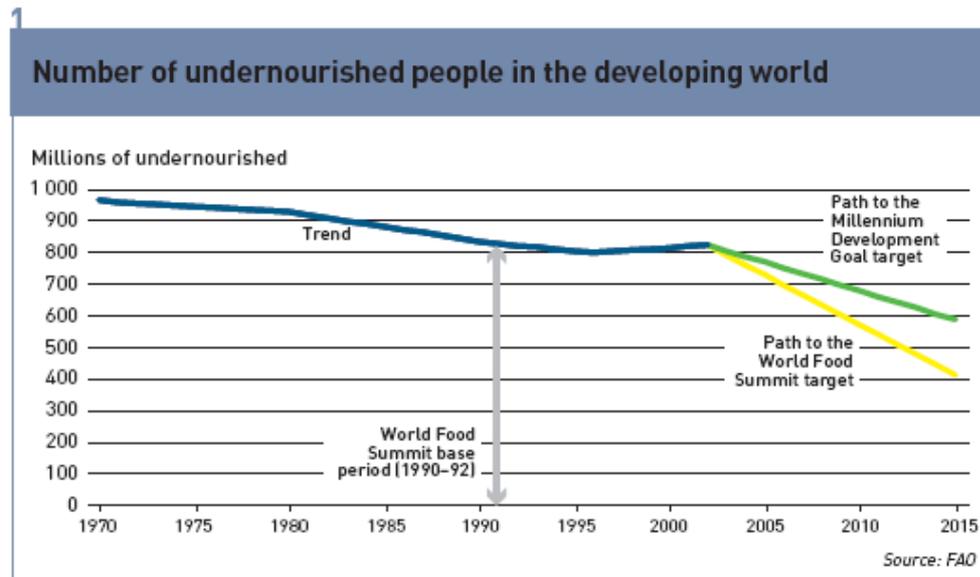
Country	Year	Overweight	Obesity	In sum
Australia	1999	36,7	21,7	58,4
Germany	2003	36,3	12,9	49,2
France	2002	28,1	9,4	37,5
Mexico	2000	38,1	24,2	62,3
Japan	2003	21,6	3,2	24,9
Turkey	2003	31,6	12,0	43,4
USA	2002	35,1	30,6	65,7
United Kingdom	2003	39,0	23,0	62,0
Korea	2001	27,4	3,2	30,6

Obesity is defined as a body mass index (BMI) of more than 30 (weight/body meter<sup>2</sup>); Overweight is defined as a BMI of 25-30

Source: OECD (2006): Die OECD in Zahlen und Fakten 2006, Paris: 206-207

The table shows the high percentage of overweight and obese people in some of the OECD-countries. In contrast to these numbers the FAO counts 20 million people in Africa who suffer under chronic hunger. In India, which is a powerful nation and an emerging market based on high tech-production, 221,1 million people out of about one billion inhabitants are undernourished and starving, in China 142,1 million, in Latin America 53 million and even in the USA, the richest country in the world with a high number of obese and overweight peoples, 10 million citizen are chronically starving, and another 35 million are living in a situation of food insecurity. This number can be added to that of people suffering under obesity and the result shows that nearly one third of the US-American population is not properly fed.

The FAO 2006 published the report on “The State of Food-Insecurity in the World” (<ftp://ftp.fao.org/docrep/fao/009/a0750e/a0750e00.pdf>) which exhibits that the number of undernourished people in the world since the agreement on the millennium goals in 2000 is increasing and that it is more than unlikely that the goals will be reached until 2015. Not one of the macro-regions in the world has met the reduction-targets so that it is wishful thinking when the FAO Director-General Jaques Diouf writes in presenting the report that “the race against hunger still can be won”. Yes, in case that the rules of the game of the global economy are changed.



The world map of hunger which is found in the FAO-report very clearly shows the differences between continents. The Brazilian Josué de Castro in his “geography of hunger” already 1946 stressed the regional peculiarities in analysing the causes of hunger and of malnutrition (de Castro 1946). In those times he had only Brasil in his mind. The FAO-report of 2006 however shows that the “geography of hunger” still matters today, but on a global scale.

The death toll of hunger is annually up to 30 million, 6 million children included. Those who survive starvation are not counted. But it is well known that those suffering under malnutrition experience extremely negative consequences for their future physical and psychic health (Braßel/ Paasch 2005: 1473passim). Hunger and insufficient nutrition influence the physical and the intellectual capabilities of people, especially of children. These negative impacts of hunger on social development were a decisive reason for the Brazilian government under president Lula Ignacio da Silva to set up the “*zero fome*”-program. However, it is not as successful as it could and should be because the government decided to also follow the necessities of globalisation in the first place before seriously attacking poverty and hunger. The service of the foreign debt at absurdly high real interest rates of 10% and more has priority in comparison with social welfare expenses or the fight against hunger or an efficient land reform. The necessities of global financial markets have their

promoting agency, i.e. the IMF or the Central Bank, the hungry do not have. Only self-organisation can help to exert pressure on the government. Sometimes it is successful, an example is the introduction of the “*bolsa familia*”-program 2004 in Brasil (Marques/ Mendes 2007).

### **3 Globalisation and the Environmental Crisis**

“Limits of globalisation” (Altvater/ Mahnkopf 2007, 7<sup>th</sup> ed.) are especially perspicuous with regard to the provision of energy for capitalist accumulation, i.e. for the already mentioned processes of acceleration in time and expansion in space. Since capitalist industrialisation in the late 18<sup>th</sup> century the demand for steady and secure fossil energy supply in order to fuel productivity increases (in the words of Marx: for the production of relative surplus) grew enormously. While predominantly agrarian economies are using renewable solar energy (a non-terrestrial, external energy source), in industrial capitalism fossil energies became the main energy source which stems from the earth itself (coal mines, oil- and gas-reserves). Therefore the energy system under modern capitalism is a closed and isolated one. It is not as open as the energy systems in human history before capitalism. The sun provides in less than six hours the energy used by mankind in a whole year. However, solar energy lacks some advantages for capitalist accumulation which fossil energy has.

For, fossil fuels are a “thick energy” with a comparably high “energy return on energy input” (EROEI), and it can be used independently on time and space; it therefore is compatible with the capitalist tendencies of time- and space-compression and its annihilation (as Marx wrote). Fossil energy can simply be stored over time, it is also easy to transport the fuel over large distances. Energy simply can be transported from the global “gas-stations” to the energy importing manufacturing countries. Moreover, it is possible to concentrate and centralize fossil energy much easier than solar energy (biomass, wind, water, photovoltaic energy etc.) and thus comply with the dynamics of the capitalist system. It can be used 24 hours a day and 365 days a year, where it is needed, in a flexible way and as concentrated as it is required by economic decision makers (see Altvater 2005).

So the speed of technological innovations since capitalist industrialisation in the late 18th century reached unprecedented successes. The new technical devices to nearly 100% have been fuelled by fossil energy. The increase of productivity only succeeded due to the availability of modern machinery and fossil fuels and it deeply changed the human and social geography and cultures in all world regions. In the course of these structural changes also the conditions of labour radically changed. The creation of “value-added-chains” made it possible to allocate simple production where labour is not qualified and therefore cheap and high-tech production where labour is expensive and highly qualified. By using these options economic actors, particularly TNCs, are enabled to establish global commodity chains and to maximize their profits, to increase the “shareholder value”.

However, there are many disadvantages related to the use of fossil energy and to the “westernisation” of the world. First of all the supply of fossil fuels is limited as the debate on Peakoil clearly shows. It is likely that oil production will peak on a global scale in the course of this decade as it already did in the USA at the beginning of the 1970s. Then there still is oil, but the supply curve of oil gets a negative slope whereas the demand curve rises. It is more than likely that under these circumstances the oil-price remains on a high level. This has serious consequences for oil-importing countries in an outspoken unequal manner. It is therefore likely that inequality in the world grows.

The following table shows that in some countries the oil-bill consumes much of the export-receipts. The situation in some cases of poor countries is even worse than the evidence shown in the table. In times of energy shortages energy security is one of the main issues of global governance in the world. Divided between suppliers (OPEC and other regulatory bodies) and demanders (energy security concepts of nation states as well as of NATO or the EU) energy governance on a global scale is very conflict-prone. The recent conflicts and wars on oil are proving it.

Table 2

Oil bill of selected **oil importing countries** at 30\$/b and at 70\$/b in relation to export revenues

Country	Oil imports Mill. b/d	Oil imports Mill. b/year	Oil- bill 30\$/b Bn\$	Oil- bill 70\$/b Bn\$	Export- revenue es Bn\$	Percentage of Export- revenues (%)	
						30\$/b	70\$/ b
France	2,28	832,2	24,97	58,25	443,4	5,6	13,1
Germany	2,14	779,28	23,38	54,55	1016,0	2,3	5,4
UK	1,08	395,7	11,87	27,70	342,7	3,2	7,4
Italy	2,16	787,7	23,63	55,22	371,9	6,35	14,8 5
Nether- lands	2,28	833,7	25,01	58,36	365,1	6,9	16,0
Japan	5,45	1988,9	59,67	139,2 7	550,5	10,8	25,3
USA	13,15	4799,8	143,9 9	335,9 8	927,5	15,5	36,2
China	3,23	1177,5	35,32	82,42	752,2	4,7	11,0
India	2,09	762,85	22,89	53,40	76,23	30,0	70,1

Source: IMF; IEA; WTO; own calculations

Moreover, there is a second and probably much more serious disadvantage of hydrocarbons. The combustion of fossil fuels produces CO<sub>2</sub>-emissions with their well-known effect on the global climate. The greenhouse-effect clearly exhibits that globalisation today is heading the limits of nature of planet Earth, not to speak about the social limits to growth. The conclusion is bitter. The dependence of the global capitalist economy on fossil fuel must be reduced because of the limits of supply and the negative effects of combustion on the environment. This inevitably also includes necessities to change the trajectory of globalisation in the course of the next 15 years, as the IPCC warns. It is sure that the ecological constraint of the fossil energy system exerts pressures on employment, wages and labour conditions.

#### **4 Financial Repression and Informal Labour**

These disadvantages of the closed energy-system are even strengthened by global finance. The globalisation of commodity chains also triggered the globalisation of finance. The liberalisation of financial markets since the 1970s is the most remarkable event in the global economy during the last few decades. It is even more impressive than the fall of the Berlin Wall at the end of the 1980s because the latter at least partly can be explained as a consequence of financial liberalisation. For, it resulted in a growing indebtedness of Third World- and of socialist countries of the Second World vis-à-vis creditors of the First (western) world. A very powerful vehicle of dividing the world into creditors in the Northern countries and debtors in the global South was the first oilprice-shock of 1973 and the ways on which petrodollars have been recycled. In the years after the shock this happened at low real interest rates. But at the beginning of the 1980s real interest rates “exploded” because of the attempts of the Reagan government to stabilise the weak US-Dollar by increasing its attractiveness. Interest rates skyrocketed, and prices of commodities, the main export products of indebted countries, fell so that the terms of trade of indebted countries deteriorated. Debt service since the beginning of the 1980s undermined the regulatory capacity of nation states, particularly of the planning systems in actually existing socialist countries and of the development state in Latin America and Africa. The Bretton-Woods-institutions under the leadership of the USA, enforced the opening of the formerly protected economies for global trade and investment. Therefore strategies aiming at self-reliance and autonomous development, at the establishment of a “new international division of labour”, must fail and they did so. Since then globalisation at “the end of history” follows the “*pensée unique*” (Pierre Bourdieu) of “*autistic*” neoliberal ideology. Yet, the negative impact of liberalised financial markets on society, on nature and last not least on the real economy and the world of work is enormous, and it is destructive.

The main cause is the specific working of competition between financial places in global financial markets. In commodity markets competition results in lower prices and better quality of products and services, so long as competition is working and not brought to a standstill by interventions of powerful private monopolies or oligopolies. In financial markets, however, global competition results in higher yields, interest rates or returns on invested capital because financial places compete

against each other with comparatively attractive investment-opportunities for financial investors. This is the reason why central banks of nation states (or of currency unions like the Euro-system) cannot reduce interest rates under the level set by competing financial places (the risk factor or “spread” taken into account which explains the extremely high real interest rates in Brasil). They have to prevent capital flight, a subsequent devaluation of the currency and inflationary tendencies.

Therefore, the political options of regulatory institutions are asymmetrical. They are only able to increase interest rates and not to reduce them, so long as there is no coordinated, concerted action of powerful central banks and other financial institutions in favour of capping interests. Interest caps as well as target zones for exchange rates since the 1990s have been refused by the governments of the G7, by big financial players and by the mainstream of neoclassical economists. So it was and it is possible for internationally operating banks, funds and TNCs to profit from volatile exchange rates and high interest rates to the disadvantage of small and medium firms, to the working class and of poorer countries in the world, as UNCTAD complains. The pressures to stabilise the exchange rate in order to avoid inflationary tendencies are a very powerful vehicle of income redistribution in favour of monetary wealth-owners.

It is not always and everywhere well understood that high yields enforced by financial markets have to be produced in the real economy and that high interest rates require high growth rates of productivity. This is only possible in so far as the supply of fossil fuel, particularly of oil, is secured. But the burden of financial service tends to exceed the limits of the social and natural carrying capacity of a society. In this case modern high-tech-capitalism falls back into the predominant mode of absolute surplus value production (Marx) or into a mode of “accumulation by dispossession” (Harvey 2003; Altvater 2005 and others), i.e. into a global process of redistribution of resources and of income in favour of big and powerful monetary wealth-owners in the rich countries. The lesson to be learnt is that globalisation is not only a process of technical progress, of growing incomes (even when inequality also increases), of more economic and concomitantly political freedom but also a process of new forms of exploitation in order to meet the requirements of financial asset holders.

Financial markets also exert pressures on the labour market and on the welfare state via the channel of investment and trade in the real economy. Here the Keynesian

hierarchy of markets comes in: on the top there are financial markets forming the interest rate. Then follow commodity markets with commodity prices which allow the realisation of a minimum profitability (“marginal efficiency of capital”, in Keynesian terminology) which is compared with the given market interest rates. On the bottom of the hierarchy of markets there are labour markets where demand is determined by interest rates on financial markets, commodity prices formed on world markets and unit labour costs (i.e. wages and labour productivity) determined on a national (or regional and local) scale. In order to increase profitability under market conditions (global financial and commodity markets) pressures on wages and labour conditions increase because they remain the only variables which can be influenced by national governments and local business. High yields on capital of monetary wealth owners can only be realised by re-distributing flows of income from labour and other social strata to capital. Therefore the downstream pressures directed toward a re-distribution of revenue-flows for the benefit of financial investors are extremely high – and successful as distribution statistics exhibit. This is one of the reasons why the number of “working poor” grows. This development is not reserved to the US-American labour market, it is a widespread feature of European labour markets, too, and it is present in most developing countries. The most important feature of labour markets is exclusion of “redundant population” (David Ricardo) which is the seamy side of productivity-increases. The expectation into compensation of lost working places only was realistic during the “golden years” of capital accumulation in the 50s and 60s of the last century in Europe. Since then “redundant population” is visible on the streets of the downtown areas in all capitalist countries.

“Redundant population” also is a major cause of migration and it fills up the so called informal economy. The informal economy is characterised by precarious jobs, weak representation and protection of labour on the shop floor, low technical standards, absence of labour regulation and other dimensions of socio-economic security. This is the reason why it is necessary to consider the “globalisation of insecurity” (Altvater/ Mahnkopf 2002) as an important aspect of modern globalisation. The informalisation of labour (and of money and politics, which cannot be analysed here) is an expression of the all-embracing erosion of economic, social and political forms which have structured the process of development and the mode of regulation in the past.

The informalisation has different features in different regions of the world but it has also common characteristics. The informal economy can be interpreted as a space in which the excluded workers from the formal economy try to reorganise the world of work and of their daily life beyond the broken forms of formal labour. On the one hand it is a world with its own rules, or it uses the rules of the formal world, but in a subaltern manner. They respond with a so-called “neo-liberalism from below” to the cheeks of the “neo-liberalism from above” of the formal economy and their representatives. On the other hand informalisation of labour reaches very often into the realm of illegitimate economic practices and even into the criminal sphere. This is one of the most important causes of the globalisation of organised crime, of the emergence of transnational criminal networks. They are obviously very important in the contemporary world. The IMF calculates that up to 5% of global GDP is passed through the channels of money laundering. In most cases it is not well understood that these networks have their roots in tendencies of informalisation of labour and of money. Behind the formal world market there grows the hidden economy. One of the paradox consequences of neoliberally inspired deregulation is the creation of wider spaces of unregulated activities, of a shadow world of even organised crime – which then is fought by dismantling civil rights of citizens by those political actors who hilariously followed the neoliberal trumpet. The consequence is politically arbitrary exclusion of peoples who already economically have been marginalised.

### **6 Instead of Informal and Precarious Work: A Solidary Economy?**

The solidary economy came up in the course of the experiences with the debt crises of the 1980s and the financial crises of the 1990s. It was a response to the necessities of survival in a deep economic crisis. The old experiments of cooperatives in many countries since the beginning of capitalist industrialisation experience a revival; the “moral economy”, analysed by E.P. Thompson (1971), comes back again. The community economy, e.g. the Russian “mir” which has been discussed by Marx in his correspondence with Vera Sassulitch, appears as an alternative to a capitalist global market economy. In the OECD world more than 29 million peoples work in the “third” non-profit sector, mostly under precarious working conditions because of the dismantling of the welfare state. But sometimes an emancipatory trajectory of a solidary economy of cooperatives comes up. In Brazil and Venezuela the

governments appointed special secretaries for the solidary economy in order to support this progressive exit from the informal economy and to avoid the regressive exit into an illegitimate and even criminal economy.

The creation of new working places offers a modest perspective for many peoples. Moreover, it is possible here to avoid the pressures of global financial markets, to resist the tendencies of dispossession. The world of labour becomes important again, on regional and local markets and places. It is no more the most mobile factor of production, the most liquid financial investor who is awarded, but the less mobile local factor, i.e. labour. It surely is an exaggeration to say that labour in a solidary economy hires capital. However, it is more difficult for capital to fire labour.

A more local and regional solidary economy is a precondition for the transition to an economy based on renewable energy. For, the pressure of global competition is lower than in the formal, open sectors which always have to increase their local competitiveness in global competition. They necessarily remain dependent on the use of fossil fuels. This is the reason why a “solar” society based on the use of renewable energy only is feasible by promoting a solidary economy. Who are the political subjects of pursuing the transition to solidary and sustainable forms of economic activities? The answer is: trade unions and other workers’ organisations together with social movements of civil society which are able to reappropriate their living and working conditions: Squatters, *fabricas recuperadas*, occupation of land, re-appropriation of public spaces, improvements of working conditions and more distributive justice against the dominant neoliberal tendencies. All these tendencies are dimensions of “another”, non-corporate globalisation, perhaps of de-globalisation.

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