

Overcoming the economic crisis and creating an economy for people and peace

By Joe Montero

Introduction

The following is based on a considerable amount of accumulated knowledge, plus my own investigation and analysis over some decades. It does not pretend to offer a comprehensive explanation or provide a blueprint for the future. The intention is to provide a thumbnail outline, going past just considering effects, towards considering the causes that must be faced for an alternative to the present state of. Then, some practical suggestions based on this are contributed for discussion.

Background overview

An economy is engaged in production on the foundation of imposition the will of the minority on the majority is not designed to meet the real needs of society. Such an economy is far more likely to be geared towards aggression and war.

An economy that is based on the foundation of meeting the needs of society is an economy for people. Australia does not have such an economy.

A glimpse at the post-World War Two reality, starting with the distinctive features of the period and government responses that rose out of the imposition of the Bretton Woods regime on the world and Australia on 22 July 1944, provides an insight on how we arrived to and what we need to do. .

Largely driven by a combination of a massive United States trade and investment surplus and the post war need for reconstruction of nations devastated by the conflict, this new order was driven via the provision of a massive amount of credit, in exchange for major economic and political concessions. Institutions like the International Monetary Fund (IMF) and World Bank were established to enable this.

The ability of the United States to dominate the financial system was helped by the fact that a range of nations owed it massive debts for war loans. Backing this, was the possession of two thirds of the gold supply. Gold was the international medium of exchange. Bretton Woods added the U.S. dollar as a second medium of exchange.

Leverage using economic power, political influence, and military might, saw the emergence of the United States as the major superpower. Under this regime, the global economy was not one of relationships among equals. Under Bretton Woods, one nation dominated, and the others had to fit into its terms. Non-compliance brought the prospect of being denied credit, getting locked out of the global trading system, and politically ostracised. Corporations based in the United States were given the advantage in the global economy.

Australia fell in with this regime. Domestic economic policies and the post-war reconstruction was tied to it. The independent early post war development Curtin Plan was abandoned under United States pressure, and the untimely, the death of John Curtin. The Curtin Plan had rested on the rise of publicly owned industries and banking system, designed around strategic priorities. It run counter to Bretton Woods and had to go. United States investors subsequently became decisive owners of the Australian economy and major players in Australian politics.

Bretton Woods fuelled economic growth for a time. Both capacity and pent-up demand facilitated it. The application of Bretton Woods also planted the seed for future problems. They emerged in late 1960's, and became more entrenched in the 1970's and beyond.

A period of growth shifted towards longer-term stagnation and decline. The catalyst was the growth of lending had outstripped the needs of the real economy. Because the financial system needed ongoing

expansion to keep its momentum, the excess kept on growing. By the late 1960's this had reached a point where the real economy and the financial system were in contradiction to each other, and the gulf widened as time passed.

Early signs of trouble were the ending of the gold standard in 1968, the global debt and oil crisis of the early 1970's, and the period of high inflation and unemployment soon after this. The Twenty First Century saw the Global Financial Crisis in 2008, and this brought us to the present situation of ongoing instability, and the possibility of a far deeper crisis.

The period just outlined saw an unprecedented growth of monopoly and cartels. A growth driven by the economic forces at play, to expand market share, use monopoly advantage against rivals, grow in scale, and extract more from workers and consumers. Growth of the monopolies and cartels and their hold over the economy, meant the mythological existence of a 'free market' became more remote than it ever was

Rising monopoly and the present position of the economy are connected and pushed along due to a diminishing capacity to maintain, at a given scale of operating, the rate of return on investment. Becoming bigger and increasing quantity to counter this falling rate is the drive. It is unsustainable. Market can only absorb so much. Even less, when another drive is to reduce the wages share of income.

Another effect has been an unprecedented merger of the monopolies and cartels with the state. This has had a tremendous influence on developments. More on this soon.

A shift from relying on the creation of value as the principal source of profit, to reliance on austerity for most of the population took place. Policies to this end have been applied by governments, arguing that if investors were looked after, they would look after the economy and provide jobs. The late 1970's saw wage freezes and the start of an ongoing re-division between towards profits and taking from wages.

In 1983, what is now called neoliberalism was imported into Australia by the Hawke-Keating government. It came out of the copy books of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom. Some local characteristics were added. Most prominent were the Prices and Incomes Accord and the corporatisation of industrial relations and of government departments and enterprises. There was also the large-scale deregulation of the financial system, and a final end to government intervention to protect and encourage what were seen as important industries.

Neoliberalism is about entrenching three pillars. Redistribution of income upwards, turning public assets into a new source of profit for large private investors, and removing barriers to an unhindered flow of the investments of the monopolies and cartels.

The drive answer the fall in the rate of return on investment under neoliberalism played a big part in creating conditions that enabled a technological revolution. Computers, robots, and new system have primarily been applied to replace labour; to lowering the wages bill and speeding up the pace of work.

Creation of new value in the real economy continues to decline, and instead of fixing the problem, Neoliberalism has made it worse. Goods and services have been cheapened, feeding once again, the drive for quantity to make up for per unit decline in return.

A technological revolution brings great possibilities to meet the needs of society. Since investment is not geared to meet the needs of society, many of these possibilities have not been realised. Jobs and livelihoods are being destroyed, and this is feeding into an already sick economy.

The rise of finance, its increasing contradiction with the real economy, combined with the excessive circulation of money, have devalued the currency and fed the rise of the speculative economy, pulled investment from manufacturing and other sectors of the real economy. Conflicting interests between the real economy and finance, together with the failure of the second to create sufficient, have created a debt crisis.

Before the post-World War To period, a merger and dominance of the rising finance industry and manufacturing, mining, agriculture, and services had already become quite marked. This has reached a new level in the current period, and this is the basis for the rise of the monopolies and cartels.

Shifting economic fortunes revealed that the monopolies and cartels becoming increasingly dependent on the state to guarantee a higher return on their investment. It led to state subsidisation through the turning over of assets (privatisation), generous money subsidies, and state assistance in shifting the share of national income towards the monopolies and cartels and their owners.

A considerable portion of the cost of doing business has been socialised. This means the bill is paid by the rest of society through the taxation system and the decline of spending on public services. This has been an important factor in the decline of manufacturing and other distortion of the economy, and contributed to the rise of the corporate tax evasion industry.

This is how the dominant monopolies and cartels have taken on a parasitic form, eating into the economy that they depend on, destroying industries, destroying jobs and casualising work as a source of cheap labour, creating a debt crisis to artificially expand the market.

Parasitism is the main reason for the failure to act as needed to protect the economy and society from the climate crisis.

Government policies have helped to spread this infection.

These together are the triggers for rising economic instability.

Maturation of these triggers is bound to the ongoing decline of United States economic and political power. It remains formidable for now but is challenged by the rise of China and some other nations.

This is fuelling rising tensions. It is ushering in increasing reliance on overt political means and military threat to maintain the United States dominated Bretton Woods regime.

Australia first fit into this military picture by joining into the pivot into Asia, the Middle East, the Persian Gulf, and more recently, as a player against China.

Besides the obvious benefit in terms of human rights, an economy tied to peace allows resources to be put to beneficial uses, and thereby creates the best conditions for progress. Australia's economy becoming tied to war, in line with the United States economy. This is bound to cause more harm,

The bigger and more entrenched the monopolies and cartels the harder it is to pull out of this spiral. At the same time, they have an unprecedented capacity to shift the burden onto the rest of the population. This is another characteristic of the extent of the parasitic dominance of monopolies and cartels.

Neoliberalism is therefore economic management in hard times, when the merger between the dominant corporations and the state is highly advanced, and this has taken on a parasitic character. It uses the state to provide avenues for profit and transfer the costs of doing business to the rest of society. Its partner is a rise in corruption within business political circles.

Because it does not tackle the problems in the first place and applies measures that makes the problems worse, Neoliberalism cannot offer a solution. It must be discarded.

A solution can only rest in changing the way the carrying out of business is organised, at the enterprise level and in the whole economy. A solution requires recognition of the present toxic relationship between the real economy and the financial system, where this comes from, the negative effects. Recognition must be given to the diminishing capacity of the real economy to create sufficient value and meet the needs of society.

There can be no solution without putting an economic plan into effect, which incorporates measures necessary to change the way enterprises are organised, carry out their operations, and bring democracy and inclusion into the economy. Democracy means having a voice in the making of decisions and their application. Inclusion means being able to be part of a community the right to dignity. Only this can generate the highest level of participation and initiative.

Part of this is adequate reward for effort. The wages share must rise, and jobs must be created. Without such a redistribution of downwards, the economy will continue to falter and the future compromised.

Although the suggestions below do not try to put together a comprehensive plan or provide the whole answer, it is hoped that they can enrich the debate about what must be done.

Some suggestions to bring about an economy for people

Effecting change requires practical measures, and it takes time. To move from an economy for a few to an economy for everyone is a huge and complex task. Nevertheless, we must strive to begin on a sound footing if we're going to bring about change.

Change starts with a vision of where we want to get to. If this is an economy that is for people, we can only move forward if we change the way work is done, organise work and the economy around new priorities, and build a social economy.

A social economy is one that prioritises the real economy to create value for our collective shared and individual needs and assert the control of the people over the economy.

An expansion of state enterprises can contribute to this. This must be tied to the rise of democracy in the workplace and the rise of enterprises under the control of communities. There is a role for the private sector operating in partnership with society, although the parasitic influence of monopolies and cartels must come to an end.

- The starting point is to leave the control of the Bretton Woods regime, achieving economic sovereignty, working against big power hegemony, and engaging with the global economy and all other nations as an equal and for mutual benefit. Without economic sovereignty little else can be achieved.
- The redistribution of national income downwards, through a combination of increased public sector involvement around new priorities that are for people, and taxation reform to provide the funding. Taxation reform means lifting taxes on big business and the wealthy, taxation on activities damaging the economy and agreed to priorities. It means taxation relief for those who are battling to make ends meet, so that they can better participate in society.
- Control of the financial system through adequate regulation, to bring it into line with the needs of the real economy. Add to this the establishment of a national public bank. Its roles would be to focus investment on economic reconstruction, creating quality permanent jobs, and building a manufacturing industry suitable for the Twenty First Century. In addition, the bank will be charged with setting the standard for quality of service to customers and society at large.
- Modernising the economy means that it be done so in a sustainable way. This means working towards a carbon neutral economy, and it means moving from antiquated technology and methods, to embracing new technology and methods. Without this there can be no progress. This means considerable investment in training, research and the allocation of start up capital for this purpose.
- Large scale infrastructure development focusing on renewable energy, clean transport systems, and the other needs for a new economy, housing, food, and water security.
- Anti-monopoly law and the outlawing of cartels is necessary to put an end to damaging behaviour. Where a natural monopoly exists and where a cartel is harmful to the priorities of the emerging economy, the monopoly or cartel should be nationalised.
- There is no democracy in the economy. Major decisions are made by very few at the top. Everyone else is denied a voice. Economic democracy starts with protection of the right of workers to organise as a collective voice. It extends to having a say in the workplace priorities and all other forms of participation in the economy and society. To guarantee this, workplace councils and supervisory committees outside the workplace are essential.
- Democracy in the economy requires the rise of a social economy. This means enterprises existing to meet the agreed priorities of society as well as individual needs. Expanding democratic public sector involvement as a provider and distributor in the economy is important. So is the rise of initiatives that build collectively operated economic enterprises and activity under the supervision of local communities, operating for the benefit of these communities and the priorities of society.
- An economy for peace and cooperation cannot be built without creating the above conditions and re-orientating to an economy to meet new priorities. This creates the conditions to turn away from the war economy and embrace an economy for peaceful development. It would provide a foundation for better international trading relationships and help the appropriate and balanced growth of the national economy. This is in addition to the positive impact on human lives and rights.