

The Neoliberal Myths about Globalisation*

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While people all over the world are mobilising against privatisations, sackings and unemployment and campaigning for pension rights, better conditions of work etc – apart from within the US and Britain where trade unions have been effectively demolished – it is not always clear that the ultimate cause for the worsening of all these problems is the growing concentration of economic and political power at the hands of the elites, through neoliberal globalisation. Thus, the institutionalisation of the opening of markets at the end of the 1970s, which followed their informal opening ‘from below’ a decade or so earlier^[1], required that the unrestricted flow of capital and commodities across the world should be matched by a parallel ‘liberalisation’ of all markets, i.e. the minimisation of social controls which had been imposed in the past (particularly in the era of statist modernity)^[2], as part of the social struggle to protect society and human labour itself from the market. Although, therefore, the labour markets themselves were not opened, so that the exploitation of particularly cheap labour in the South could go on unrestrained – something which led to the present economic “miracles” in India and China admired by neoliberals and social liberals^[3] alike – their liberalisation was necessary so that the benefits of opening the capital and commodity markets could be fully utilised.

The liberalisation of labour markets meant ‘flexible’ markets and implied abandoning the post-war state commitment to full employment, abolishing security of work in the massively privatised public enterprises (consequently giving rise to mass sackings) and creating open unemployment^[4] or disguised underemployment (in the form of involuntary part-time, occasional work etc). At the same time, the liberalisation of capital markets through the lifting of exchange and other controls on capital movement, further undermined the already drastically reduced tax basis for the financing of the welfare state because of the simultaneous cuts in direct taxes, which particularly favoured the higher income groups.^[5] The inevitable outcome of all these developments was even higher concentration of income and wealth at the hands of privileged social groups.

Thus, according to UN official data, the income gap between the richest fifth of the world population living in the ‘North’^[6] and the poorest fifth living in the ‘South’ which was at a ratio of 30:1 in 1960 before neoliberal globalisation began, had doubled to 60:1 in 1990 and by 1997 had climbed to 74:1^[7]. As a result of these trends, by the mid 1990s the richest 20% of the world population received 86% of the world income (GDP) versus 1% received by the poorest 20%! Clearly, such a concentration of income implies a corresponding concentration of economic power, which is confirmed by the fact that the same richest fifth of the world population today controls 82% of world exports and 68% of foreign direct

investment.^[8]

This huge concentration does not of course refer exclusively to North-South relations, since a similar concentration also takes place within the North (and the South). In Britain, for instance, over the past 20 years or so, income inequalities have widened significantly. Thus, according to a report by Tony Blair's personal think tank: "Between 1979 and 1998-99, the real incomes of the bottom decile of the income distribution rose by 6% in real terms whereas the real incomes of those in the top 10% rose by 82%. Mean income rose by 55%"^[9] It is not, therefore, surprising that a survey based on fieldwork from the Office for National Statistics made by Bristol, York, Loughborough and Herriot-Watt Universities found that poverty rates have risen sharply in Britain during the era of neoliberal consensus (Thatcherism-Blairism). The result has been that by the end of 1999, a quarter (26%) of the British population was living in poverty, measured in terms of low income and multiple deprivation of necessities. Furthermore, while in 1983 14% of households lacked three or more necessities because they could not afford them, by 1990 this proportion had increased to 21% and by 1999 to over 24%.^[10]

Also, in the US, 60 percent of income gains over the period from 1980 to 1990 went to the top 1% of the population, while the real income of the poorest 25% has remained basically static for thirty years.^[11] This could go a long way towards explaining why since 1976, the share of wealth owned by the wealthiest 1 per cent of Americans has doubled and, as a result, the top 1 per cent of households own more than the bottom 95 per cent of Americans combined,^[12] while millions of children live in poverty, deprived –in the richest country in the world –even of the health care that Cuba's children— one of the poorest countries— enjoy!

In the face of the mounting outcry against the widening inequalities all over the world which have resulted from neoliberal globalisation, it was not unexpected that its ideologues would launch a huge campaign of disorientation, if not pure deceit –aided by the required amounts of statistical alchemy- praising the 'benefits' of neoliberal globalisation. Thus, it is now 'seriously' argued that neoliberal globalisation has drastically reduced the number of poor in the world! This, despite the fact that an authoritative UN study, just a few years ago, showed that in the 1990s when neoliberal globalisation was flourishing, the number of people living on less than a \$1 a day –excluding China– had gone up from 916 m. in 1990 to 936 m. in 1999, while at the same time 2,8 b. people (almost half the world population) were living on less than \$2 a day (the official poverty line).^[13]

In fact, the 'significant lifting out of poverty' advertised by the ideologues of neoliberalism refers to the conclusion drawn by neoliberal economists^[14] that over 500 million people were 'removed from poverty' in the South, as a result of trade liberalisation. However, a careful examination of their data shows that, not only was the total number of people 'lifted from poverty' overstated by approximately 20 percent but –even more significantly– that 'most of the people lifted out of poverty by these projections had their incomes raised from just below the international poverty level of \$2 per day to just above this level'^[15] Thus, by pure magic, people who gained about 10 cents of extra income had been 'lifted out of poverty'. In other words, they were simply erased from the official poverty list, in exactly the same way that Tony Blair's social liberals have 'eliminated' unemployment in Britain by

vastly expanding involuntary part-time work and erasing the vast army of part-timers from the unemployment list! It should also be noted that an important factor in this world 'reduction' of poverty was that about 400 million Chinese were erased from the official poor list when they moved from the miserable conditions in the countryside to the urban slums or the modern factory ghettos,^[16] enjoying even more miserable conditions of living and work than before, but also an income just above the official poverty line.

The cause of this huge concentration of income and wealth is not of course, as the reformist Left of the World Social Forum suggests, the conditions of 'unfair' free trade, the huge debt of many countries in the South, inadequate foreign aid etc^[17] but, as I have attempted to show elsewhere,^[18] the very dynamic of the system of the market economy.

* This is based on an article that was first published in the fortnight column of Takis Fotopoulos in the mass circulation Athens daily *Eleftherotypia* on 19/3/2005

[1] See Takis Fotopoulos, "[Globalisation, the reformist Left and the Anti-Globalisation 'Movement'](#)", *Democracy & Nature*, Vol. 7, No. 2 (July 2001).

[2] See Takis Fotopoulos, "[The Myth of Postmodernity](#)", *Democracy & Nature*, Vol. 7, No. 1 (March 2001).

[3] See e.g. Martin Jacques, 'No monopoly on modernity', *The Guardian* (5/2/2005).

[4] Open unemployment in the 'Group of Seven' (i.e. the most advanced market economies (USA, UK, Japan, Canada, Germany, France and Italy) has more than doubled between 1973 and 1999, from an average 3.4 % of the labour force in 1973, to 7.6% in 1999, (data calculated on the basis of Philip Armstrong et al., *Capitalism Since World War II*, Table 14.1 (London: Fontana, 1984) and UN, *Human Development Report 2001*, Table 17.

[5] This is because of the 'progressiveness' of direct taxes, (i.e. the fact that richer people used to pay a much higher proportion of their income in income tax etc than poorer people) which has been almost demolished by neoliberals and social-liberals when they drastically cut everywhere the highest tax rate from 60% —or even 70%— to around 40%.

[6] We may roughly define the 'North' as the set of those countries that are members of the Organisation for Economic Co-operation and Development (OECD) which the World Bank classifies as "high income economies", i.e. mainly, United States, Canada, Japan, Australia, New Zealand, the European Union, Switzerland and Norway

[7] UN, *Human Development Report 1999* (NY: Oxford University Press, 1999)

[8] *ibid.*

[9] Patrick Wintour, 'Bold No 10 idea for tax and schools,' *The Guardian* (27/4/2001).

[10] Felicity Lawrence "Mass affluent get richer as the poor get poorer", *The Guardian* (2/4/2001).

[11] Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, (Polity Press, 1998), p. 105.

[12] Will Hutton, «Why America's richest love taxes», *The Observer* (25/2/2001).

[13] UN: *Human Development Report 2002*, Table 1.2.

[14] See William R. Cline, *Trade Policy and Global Poverty*, (Washington, D.C.: The Institute for International Economics, 2004).

[15] See Mark Weisbrot, David Rosnick, and Dean Baker, [Poor Numbers: The Impact of Trade Liberalization on World Poverty](#) (Center for Economic and Policy Research, 18/11/2004).

[16] A recent BBC 4 documentary (February 2005) made clear the miserable conditions of living and

work at the NOKIA factory guetto, which is in fact considered a model compared to the even worse conditions offered by other corporations to their workers!

[17] See Global Call To Action Against Poverty, the World Social Forum Charter of Principles and its 'calls' of the movements and other organisations

[18] See for a critique of the reformist Left the D&N article on globalisation mentioned above.