It doesn't have to be Like This

Global economics: a new way forward

Margaret Legum

Some extracts

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Foreword

For too long politicians, media commentators and all the people who chat away in pubs and shops, have recognised inequalities in the world and the impacts of a global economic system that seems too hard to understand and under no one's control. Political thinkers have bemoaned the loss of policy control with increased globalisation as though there is no option but to do the best you can.

But, as Margaret Legum says, 'it doesn't have to be like this'. Perhaps there is no inevitability about current ways of doing things. Perhaps there really are ways of making the economic system create the kind of world that most people, when they really stop to think about it, would like to see.

This book has done something very special. With passion and clarity Margaret Legum has succeeded in cutting through the complexities and presenting a compelling picture of an economic and financial system that is not working. At the same time she has set out some very practical examples of what could be changed and how.

But this is not an anti-capitalist book. Far from it. Markets can work well but they have their place and are sometimes inappropriate or need to be channelled. In fact, one of the most startling wake-up calls in this book is the recognition of how the money market, supposedly there to grease the wheels of productive investment in goods and services, has in fact sucked money away from real economic activity and creates virtually nothing. It also takes opportunities away from areas and from people that are the most in need of generating their own livelihoods. This means that the mantra of foreign direct investment as a means of development is meaningless if that money just leaves again in profits or with the vagaries of speculation. It is even more useless if, at the same time, available investment from inside the country goes in search of higher returns elsewhere rather than being ploughed back to generate more jobs and growth.

Struggling local economies in Britain and other parts of the world suffer from precisely that same loss of money and resources that prevent them from creating enterprises and jobs that meet the needs of local people. Or think of the waste that is generated as the UK exports just as much milk as it imports, with all the impacts on the environment from excessive use of transport. These are not arguments for protectionism but for encouraging markets to work at the right level to create viable communities across a country and to minimise environmental impacts.

The New Economics Foundation is a sister organisation to South African New Economics (SANE) and both exist to raise awareness of these kinds of issues and to try to create change. Every part of this book, whilst written primarily for a South African audience, also has much resonance for the UK and elsewhere. Ultimately, new economics is itself quite simple – it is about putting people and the environment first. If you see economics as a tool rather than an end in itself, then you reconnect it with values and with real choices about how things can be different.

When you read this book, you will come away inspired to think more about what is happening and how it might alter. To realise that we are financing the US debt and its standards of living or that we tax all the productive things in life but don't touch the activities that make things worse, makes you understand how fundamental some of the changes will need to be. But you will also see how easy it is to change elements of the way we live our own lives. You don't have to be like this either.

Andrea Westall
Acting Director
New Economics Foundation
August 2003

Introduction

This book is based upon a set of lectures given at the Summer School of the University of Cape Town in January 2001. They were prompted by the growing understanding that South Africa, in common with most of the rest of the world, is suffering an economic decline not of its own making. Our famous political 'miracle' is in danger of being undermined by our dependence on world economic factors over which we have little or no control. In other words, we South Africans cannot determine our own economic policies unless we understand the global free market and take steps to protect ourselves from its toxic effects.

That understanding, and those steps, are internationally relevant. Although the immediate audience for the lectures was South African, the book addresses the problems of people everywhere, because we are all victims of the current global ideology. It contains an exposition of the damage being done worldwide; and also ideas about how we can change the management of national and international economies. Many of these ideas are new, although many are being researched in Britain and elsewhere; all arise from the need to define a post-global vision of development. They are not about returning to the communist-versus-capitalist arguments of the past. They are firmly seated within the principles of the free market as a means of pricing goods and services; but they draw upon new processes for pricing and regulation; and they redefine the role of government.

The lectures, and this book, are designed to interest people with no expertise in the discipline of economics, but who want an understanding of economic issues – if only to cast an intelligent vote. As an economist I am convinced that economics is as accessible to non-experts as any other discipline. Physicists whose work affects the rest of us are expected to explain what they are doing in terms we can understand – even though their conversations with each other may seem to us gobbledegook. The same is true for engineers and doctors and biologists. But economists have been notorious for obfuscating issues that are essential for people to grasp.

One purpose of the lectures was therefore to convey the idea that anyone who is reasonably intelligent can understand economics; and to encourage the layperson confidently to query the conclusions economists mysteriously arrive at on their own. In doing this, economists who question the current ideologies have been accused of oversimplifying great matters, even of not quite understanding what they are talking about. They advise us to leave it to 'the experts'. That is like handing over our votes to them, for without an understanding of economic issues, voting is unintelligent. What should we vote on, if not how the government is managing the relationship of people to each other in terms of work, the allocation of resources and the effects on our planet of the way we use the environment?

But there was another reason for presenting these lectures. In common with most people that I know, I am outraged by the effects of the current economic system. Those effects are particularly dire in Africa. It is as if traditional economics and economists are disconnected from the real world – as though they do not know the effects of their theories on real human beings. They seem to have missed the fact that even people who mistakenly think the present system is inevitable and positive in some ways are unhappy about its effects – appalling poverty in the midst of unbelievable wealth and potential plenty for everyone; the degradation of the planet on which our survival depends; and the vast international rise in crime and conflict and cruel suffering.

It has been said that there is nothing so practical as a good theory. When things fall apart we have to ask ourselves whether our theory is consistent with the facts – whether our theory is producing the results we expect from it.

Considering the state of the world – its people and the planet itself – the answer must surely be that it is not. The question is, can it be changed? The answer given by the New Economics movement is yes. We can produce new theory which is consistent with the ethical objectives which, at heart, all human beings espouse and expect – the right to prosperity and security for everyone, fairness in distribution of wealth, a stake for everyone in the economy to which they belong, communities that work for their members. If these things are being undermined by the present dispensation, we are basing it on the wrong theory.

As a South African addressing a South African audience, I felt the aim of the lectures was to influence the political agenda here. But it is not possible to discuss any economy except in the context of the world economic system. The rest of Africa, and indeed the whole of the developing world, and the millions of poor people in rich countries, are closely involved in the analysis given here. My own hope, along with that of millions of others, is that South Africa will join with the rest of the continent in moving to a new dispensation that has the potential to make a reality of the African Renaissance *within a post-global economic dispensation for the world*.

In the past year or two we have experienced the events of September 11 in New York and the American government's strong-arm response against a generalised enemy called 'terrorism'. It has shown virtually no sensitivity to the factors that create the anger behind terrorism, many of which lie in the economic system.

And we have also experienced the World Summit on Sustainable Development held in our own country. There will be no going back from that event. For the first time the opponents of the enforced globalisation of capital and trade received as much or more sympathetic attention from the public and the media as its proponents. For the first time the divide has been not between

North and South, but between those who accept the *status quo*, and those who want it superseded. New Economics now has the ear of the world in expounding viable, sustainable and compassionate alternatives – rooted in the real lives of real people in the real world. This book is about those alternatives.

Margaret Legum

From Chapter Five

Localising globally

...... This chapter looks at a more profound reorientation of the global economy. Aspects of it are already happening internationally in the movement for local economic development (LED), but they are being hampered by the consistently centralising dynamic of the unfettered global market. The most complete expression of it is set out in Helena Norberg-Hodge's book *Bringing the Food Economy Home*, and in Colin Hines' book *Localisation: A Global Manifesto*, both published in 2000 by Earthscan Publications Ltd.

Hines distinguishes between globalisation and internationalism. The first, he says, is 'in essence the systematic reduction of protective barriers to the flow of goods and money by international trade rules … It pits country against country, community against community and workers against workers.' A striking example of that is demonstrated in a report in *Business Day* (25/1/2001) to the effect that American steelworkers are up in arms against the closure of steel mills – thirteen so far and another three on the way. The American government has already threatened South Africa and other countries with sanctions for what it reckons is 'dumping' steel in US markets. If that succeeds we shall lose jobs. Meanwhile, under pressure from American steelworkers, the Bush administration is proposing substantial new tariffs on steel imports. But American workers in industries that use steel are fighting the steelworkers to preserve the international profitability of their products. Everyone is being pitted against everyone else within shrinking markets.

This issue now threatens a trade war between the US and the EU. The EU is already taking the Americans to the World Trade Organisation for a compulsory ruling against the higher tariffs. They are claiming a $2.7 billion package of sanctions to be imposed against the US. Britain supports the claim, since its five steel companies, employing 18,000 people, are threatened by the US proposals for steel tariffs. The EU has already achieved a ruling by the WTO that it is entitled to impose several billions of sanctions against America for its support, through taxation grants, to some of its large corporations.

Going back to Colin Hines, he says internationalism (as opposed to globalisation) is 'the (global) flow of ideas, technology, information, culture, money and goods with the end goal of protecting and rebuilding local economies worldwide. Its goal is maximum local trade, within diversified, sustainable local economies and minimum long-distance trade.'

If that seems like a return to self-sufficient insularity, that is not what is meant, nor is it possible. Re-localisation is about changing direction – away from centralisation of economic forces towards decentralisation, using modern technologies and global support to do so. It is not about going backwards.

Just to recap the facts about centralisation, today eight companies own more than does half the world's population. Fifty-one of the world's largest economies are transnational corporations (TNCs). Five hundred companies control two-thirds of world trade and half of all productive assets. In the UK, for instance, the nine largest supermarkets now account for 97.9% of grocery sales – up from 59% as recently as 1990.

In the second 'Alternative Mansion House Speech', Andrew Simms of the New Economics Foundation in London comments: 'This trend (to concentrating corporate power) ridicules the theoretical argument for a purely free market economy. It is almost embarrassing that governments still make policy on the foundations of competitive general equilibrium theory – of which one of the many bizarre assumptions is that there is an infinite number of small companies and that none has power over the market.'

People sometimes think the one good thing you can say about the TNCs is that they create employment. That is why governments woo them with all the incentives that we have noted. A threat to TNCs is sometime seen as a threat to jobs. The reverse is the truth. Although the combined sales of the 200 largest TNCs exceed the combined economies of all but nine countries, they in fact employ only 18.8 million workers, less than 0.75% of the world's total. Between 1993 and 1995, global turnover of the top one hundred TNCs increased by more than 25%, but during that period they cut 4% of their workforce. Meanwhile these huge technology-based companies put labour-intensive rivals out of business. In the UK for instance the number of grocery stores fell between 1960 and 1997 from 147,000 to 27,000. Local organic box schemes in the UK, through which organic farmers sell to local people, create twice as many jobs as supermarkets by value of produce. Small business is threatened, not helped, by large business.

That process of business enlargement also homogenises: the biggest is able to provide the cheapest, and variety is lost. Britain is losing its famous apple diversity as supermarkets stock only four or five mass-produced varieties. Other varieties cannot find the outlets and distribution channels that will take smaller quantities; so even if the demand is there, it cannot find expression. That is a tiny example of the loss of diversity, which is replicated all over the world and in every product that can be mass-produced.

Cultural variety is also on its way out. Helena Norberg-Hodge's book *Ancient Futures* gives an account of how one hitherto successful and harmonious local culture – that of the Ladakhis – was undermined and made to feel stupid and shameful as a result of the impact of consumer culture when the much-vaunted tourism entered their area of 'Little Tibet'. We all know how Western, and especially American, culture takes over our lives and those of our children. That is not surprising. A few mega media corporations control newspapers, television and radio, publishers, bookshop chains and even the advertising and PR industries – everything that influences the way we think. Uniformity in that respect is hardly good for democracy.

And while it irons out the expression of dissenting opinions, it also loses jobs. *Business Day* (25/1/2001) reports that the latest merger that produced the new AOL media giant has caused the Time Warner element to lose more than two thousand jobs, the CNN division having already announced it was sacking four hundred. It was part of the belt-tightening drive to make good on a promise to investors that the merger would deliver a major boost to earnings: this is the smooth explanation of the MDs of AOL. As a result, the price of shares rose 31 cents on the New York Stock Exchange. So the merger was 'a success'.

To look at how to change direction, we need to see what keeps the current system in place. The global market in goods is the result of a long process to free markets via a negotiating forum called the General Agreement on Tariffs and Trade (GATT). Over the past 30 years it has had several 'rounds', designed to agree rules that open every economy to every other. The last round, in Uruguay in 1994, created the World Trade Organisation (WTO), charged with enforcing the agreed rules. It can and does invoke sanctions against governments that flout the rules.

In principle all governments may take part in its meetings as they did in the GATT rounds. In practice the Group of Eight (G8) dominant countries, which can afford large permanent delegations and legal help, are in an inner circle and make the decisions. After the Battle of Seattle – of which more in Chapter Six – the WTO and its allies had to admit that most poorer governments had in practice been marginalised in all its processes. Their voices in the speed of the globalisation process did not prevail, while those of the rich countries did.

Here is an obvious example. Pascal Lamy, the French EU Trade Commissioner told an SA Institute of International Affairs seminar on June 22, 2000:

The EU has taken a deliberate decision to keep its farmers on the land, whether

> *or not they are internationally competitive. We will be left with farmers in the EU who are not as competitive as the African standard … If we are fully competitive, employment in the farm sector will drop from seven million farmers to just one million. This is politically unacceptable. The question is whether market rules should apply to everything. Important to EU decision-makers is rural life, landscape, environment; and these justify the continuation of its costly and inefficient farming strategy.*

That sounds sensible, doesn't it? Why shouldn't a people and a government decide that they want to put such considerations above price competitiveness and efficiency and export effectiveness? Why, then, should we South Africans not decide, for instance, that we would rather have high employment in the footwear industry than access to marginally cheaper imported shoes and boots? The answer is that we have not had the clout in the international forums to insist on that right, whereas countries in the EU have. Countries that have a relatively small market can have their economy wiped out by sanctions from a large one, whereas our sanctions would be a fleabite to them.

Another example: The Americans and the Japanese very nearly engaged in a WTO-sanctioned trade war a few years back, because Japan refused to abolish its tariffs on cars in blatant defiance of WTO rules. This was because the Japanese economy was in trouble. And while Japanese cars were fully competitive with American ones, its people had a predilection for American cars. This was a drain on foreign currency so the Japanese protected their industry with tariffs. In the end they had to give in to American pressure. This relatively harmless standoff happened because the two countries are more or less equal in strength. South Africa, on the other hand – let alone, say, Niger or Lesotho – can in theory be snuffed out and the smoke hardly noticed. These are not minor imperfections to be gradually ironed out in the global market; they are the outcome of a system in which the rules can be made to favour the powerful and bent when they are harmful to the interests of the rich.

One more current example: It has been decided at the WTO that tariff rates should be allowed to increase on goods as value is added to them. This means that primary products like those exported by most of Africa can have relatively free access to rich countries, but if those primary products are processed, instead of being sold raw, the tariff rate rises. This ensures that Africa continues to produce raw materials and the more profitable job of adding value remains with the richer countries.

The result is that the LDCs (least developed countries) are worse off under the WTO regime than they were before. Twenty years ago the ratio of income in LDCs to that in the OECD was 1 to 87. Today it is 1 to 98. With 11% of the world's population, the LDCs account for 0.5% of its income. As tariffs have come down under WTO rules, those tariffs against LDC exports remain high – in sectors like agriculture, textiles and other labour-intensive manufacturing. LDC exports to industrialised countries are three times as likely to face tariff peaks over 11% than goods traded between industrialised countries themselves. The World Bank itself estimates that LDCs lose about $2.5 billion a year because of market access restrictions

Mainstream economists are beginning to understand the situation. Michael Power, academic and investment manager, was quoted in Chapter Three. He describes his own new thinking as a result of his research (*Business Day* 16/01/2002). Net dividend outflows from South Africa in 2001 were 2% of GDP, meaning that South Africa 'effectively exported its economic growth last year'. The same is true of all developing countries. 'Indeed, last year the poorest countries of the world contributed a net $260 billion to global capital account flows. The more than 100 developing countries represent only 17% of global GDP, yet lost an average of 4% of their GDP in capital outflows to the developed world core.'

Most mainstream economists continue to believe that expanding world trade is vital for poor countries. Latterly they have conceded that existing patterns of trade are disadvantageous to developing countries. But they recommend simply that the developed countries adjust their trade policies to level the playing field. This is like whistling in the wind. Are we expecting that an American President, a British or a French Prime Minister or a German Chancellor, courting election as they must, will seriously propose measures that will create local unemployment in the interests of fairness to developing nations? Where is the evidence that this is remotely possible? Pascal Lamy's remarks quoted earlier make it explicitly clear that it is 'politically unacceptable' for a French government to end subsidies to its own farmers.

The subsidies now enjoyed by manufacturers and farmers in the developed countries include $17,000 per farmer in the EU. American farming subsidies amount to $1 million a day. The average import duties on farm products are 40%–50%. Japan's tax on foreign rice is nearly 1,000%. OECD countries spend more on subsidising their farmers each year than the entire GDP of sub-Saharan Africa. The OECD countries have intensified their subsidies to producers from $275 billion in 1988 to $326 billion in 1999. By June 2000 the US had lifted only 13 of the 750 restrictions acknowledged at the Uruguay round of GATT; the EU 14 out of 219, and Canada 29 out of 295.

The truth is that the populations of rich countries are not willing to abandon their own systems of protection. But poor countries are being forced to do so. The result is that poor countries are subsidising rich ones. The promise of 'trickle-down wealth' is not fulfilled, because the only countries that open their markets are the poor ones.

In October 2000 Pascal Lamy made a bold proposal: unrestricted market access for all LDC exports to the EU. 'Everything but arms' was the slogan. The big farm and agribusiness lobby rapidly defeated it. It will be reconsidered in 2006. Comments Kevin Watkins, Oxfam's policy adviser: 'The response of some EU states in placing powerful vested interests before the interests of the world's poor highlights the gulf separating rhetoric and policy … The sheer chutzpah of northern governments in demanding liberalisation in poor countries, while subsidising their own producers to the tune of $1 billion a day defies credulity.' The fact is that the terms of trade have been heavily rigged against poor countries, for no better reason than that the powerful are able to do so. There is nothing fair about it. Nor is there any political mechanism to change the situation.

So we should ignore the pious suggestion that the WTO has been doing no more than making and enforcing rules impartially to suit everyone. Would that it were so, because it is true that a rule-free world is one where the rich gobble up the small with impunity. So we do need rules. But not rules that preserve the privilege of the rich and expand trade for the sake of expanding trade. We need rules that create economies in which the prosperity of each is the prosperity of all. This is not just a pious suggestion, as we shall see later.

The various agreements made and enforced at the WTO are all important to the South African economy. But few of us know about them. The WTO legislates (makes enforceable laws) not only about trade and capital, but also relating to intellectual property protection (patents) and the commodification and privatisation of life forms for research. These rules threaten the preservation of plant diversity and the control of that diversity by poorer countries. They prevent our country among others from buying generic forms of vital medicines in the control of diseases like AIDS. All these agreements and their effects are beautifully set out in a book called *The World Trade Organisation: A Citizen's Guide* by Steven Shrybman, published by the Canadian Centre for Policy Alternatives.

The world narrowly escaped, four years ago, the imposition of the Multilateral Agreement on Investment (MAI). Behind closed doors, with hardly any media comment, an agreement was proposed within the WTO, which would have made explicit what is now implicit. It would have given investors rights to override those of governments. Anything that limited investors' rights or profits in any country would have been illegal, and subject to sanctions through the WTO. That included 'equal opportunities' legislation, protection of local or small business, protection of the environment – or indeed anything that regulated or restricted investors in doing as they pleased in any country.

It is scarcely credible that this measure was the subject of negotiations about which electorates were not informed. Fortunately it leaked, and as a result of civil society protest a number of local and regional authorities declared themselves 'MAI-free' zones, and the proposal was stalled.

Two WTO proposals are the subject of current protest. One is the General Agreement on Trade in Services (GATS). This would require governments to make available for investment, on a world-wide competitive basis, the delivery of all services – including education, health, transport, water, prisons, even social services – as though they were commodities like bananas and motorbikes.

This pressure to privatise what has been regarded as public service arises from the fact that the American government sees its economy as most competitive in the commercial operation of services. Its huge current account deficit reflects its uncompetitiveness in terms of the export of goods; but it reckons it could compete successfully in the management of services, and hence begin to narrow the trade deficit. If GATS were passed, all public service would be threatened. It could become illegal, for instance, for a government not to open its health and education services to international competition. This means everything would have to be commodified and costed. Naturally it would follow that everyone would have to pay for all services when they receive them, since the private sector is not in the business of welfare. In South Africa we are already seeing the proliferation of water and energy cut-offs, as poor people, newly connected to such services, are unable to pay for them.

The other WTO proposal is the monopolisation, through patents, of the genes of the world's main crops – commercial companies taking ownership of gene plasma. That would be done under a WTO TRIPS agreement – 'Trade in Intellectual Property Rights'. Opposition groups, which include the UN's Food and Agricultural Organisation, have described this practice as bio-piracy and are pressing for a binding global agreement to govern the use of crop seed varieties and genetic resources that underpin food security. They want to ensure that at least thirty main food crops are protected and preserved against sole ownership under intellectual property rights.

Patrick Mulvany of the Intermediate Technology Development Group comments: 'Bio-piracy is rife. Intellectual property rights regimes create private ownership rights which remove locally adapted varieties from communal ownership and exchange … These resources are our life insurance against future adversity, be it from climate change, war, industrial developments or ecosystem collapse.'

Crops that have sustained people well in the past cannot safely be replaced when lost. The UN Food and Agricultural Organisation (FAO) called on the WSSD to produce an endowment of $260 million to introduce global gene banks that would hold 5.4 million crop samples, lest they be lost in the homogenising of agriculture.

The main support for TRIPS comes from the governments of the United States, supported by Canada, New Zealand and Australia. The following is quoted from representations made by the American agricultural lobby group in support of its government's position:

> *As one of the most productive industries in the world, US agriculture is charged with the great responsibility to feed and clothe an ever-increasing world population. The World Food Summit in Rome underscored the fact that the US must*

> *become ever more efficient if the goal to eliminate hunger is to be accomplished … Technology must be developed to produce the needed food in a manner that fully utilises our productive capacity in an environmentally conscientious manner. Biotechnology is an important component of that needed technology.*
>
> Because trade is so important to American technology and the US food industry *(author's emphasis), it is imperative that policy and regulations governing international commerce of genetically modified food and agricultural products are based on sound science and not just emotion …*
>
> *Some officials of the EU advocate requirements that could be considered non-tariff trade barriers to the US … It is critical that the EU understand at the highest level that the US would consider any trade barrier unacceptable and subject to challenge in the WTO.*

In other words, if the EU and other countries do not find genetically modified products acceptable, they should be forced, via the WTO, to accept them anyway. What is good for the American agricultural sector is good for the world. And if we don't agree, our objections should be overruled by calling them non-tariff barriers to trade which are illegal under WTO rules.

Food security

Contrary to the position of the American agricultural lobby, there is growing concern that the international trade in food is actually a factor in the spread of hunger. The area where re-localisation would be most beneficial is that of food security. A major effect of the global market is to undermine the food-producing economies of small farmers. The 'export-led growth' ideology means that vast areas of local food-producing agricultural land throughout the world have been given over to export crops. From pineapples in Indonesia to tobacco and export mange-tout in Zimbabwe, from strawberries and roses in

Kenya and bananas in the Caribbean and asparagus in Qwa Qwa to tea and coffee, sugar and rubber elsewhere, food-growing land has been taken over by large, mostly foreign, companies producing for export. Farmers have to buy food for themselves.

Second, even where countries are still 'feeding themselves' in the sense that the amount of food grown is theoretically enough for its citizens, this is increasingly being done by agribusinesses on huge farms owned by very few people, sometimes using genetically modified (GM) crops. Some of the food is being exported, because local effective demand is not sufficient. Small farmers and people growing for local consumption are being bought out and lose their livelihood. Income from exports does not reach the small farmers. The nature of food-growing for sale via the large corporations makes it nearly impossible for small farmers to survive. They then join the ranks of the cashless and unemployed in the shanty towns on the margins of cities.

In Britain 200,000 farms disappeared between 1966 and 1995. Since then it has become much worse: the average farm turnover fell in two years, in 1999 and 2000, from £100,000 to £10,000. In the US, farm numbers declined from 6.8 million to 1.9 million – there are now more people in prison than farmers working the land. In the EU the number of farmers fell from 22 million to 7 million between 1957 and 1999. There was a rash of suicides of farmers from India to the UK and the US in the late 1990s.

Agribusiness, especially when combined with genetic modification, drastically reduces employment in the farming sector. New GM developments in coffee are a chilling example. The development agency Action Aid points out that in nature coffee beans don't all ripen at the same time, making mechanised picking inefficient. For that reason 70% of all coffee is grown by small farmers. But a US company, ICTI, is developing GM coffee beans which can be made to ripen all at the same time, by the use of a chemical spray which 'switches them on' together for machine picking. This will make it cheaper to grow coffee on large plantations; and it will put smallholders out of business. Seven million small farmers now grow coffee; and it will not be economical for them to buy the spray.

Lest we imagine that this is a good thing because only a tiny proportion of people are now required to feed us all, think again. Millions of people are at work producing the industrial input to agriculture – from machinery to chemicals. It may well be that the same proportion of people now works in producing food as when farmers did all of it. But the food they produce is less healthy, less varied and less fresh. It gives a good living to a few large farmers and the chemical industries; but is that the purpose of growing food?

Agribusiness is in the control of four or five TNCs. They often own the land and always supply the seed. Much of that seed is genetically modified, or at least adapted, to require high levels of fertiliser (which replaces the organic processes that nature provides), herbicide (which destroys everything except the crop), and pesticide (which destroys natural pollinators and produces superbugs, needing new generations of pesticides). All of them are supplied by the company. And then the company buys the product and sells it internationally. Even when small farmers succeed in buying all that input in one season they are often bankrupted in the second, because the company decides the prices at both ends. Many of the modern seeds are actually modified to prevent their producing their own seeds, which must therefore be bought each season. It is called, spookily, terminator technology.

The use of herbicide and herbicide-resistant crops destroys biodiversity, as it kills everything except the crop. It increases the need for agrichemicals and produces new breeds of resistant 'superweeds'. It promotes soil erosion by destroying cover crops and lowers water tables because the crops require more irrigation.

Each 'high-yield' crop destroys the nutrition that small and subsistence farmers reap from the other products of their soils. The monoculture required by industrial agriculture robs the farmer of a variety of other sources of nutrition, medicines and soil enhancers. The research of Vandana Shiva, Indian scientist and activist, shows that the so-called Green Revolution that introduced large-scale hi-tech agriculture to India, despite giving more grain per unit, reduced the overall nutritional value of the agricultural sector. She reckons that intensive monocultural agriculture yields only six units of energy in food for every fifteen expended in its production. It also needs a lot more water, thus permanently reducing water tables. It is hard to imagine how agribusiness can be called 'efficient' in terms of its use of the earth's resources.

Vandana Shiva concludes that instead of the promised abundance, the Green Revolution strategy left behind diseased or exhausted soils, pest-infested crops, waterlogged areas and deserts, as well as indebted and impoverished farmers.

An alarming story concerning the introduction of genetically engineered cotton in South Africa received almost no attention in the mainstream press. Bt cotton, incorporating the *bacillus thuringiensis* gene, was the first genetically engineered crop grown commercially in South Africa, and it is planted by small farmers as well as large. Bt acts as a pesticide against common South African pests. A study done by Monsanto, the producers, in 1998 showed a 20%–30% increase in yield by the small farmers of the Makhatini district of KwaZulu Natal. The study was done over one season only, with four of the best farmers in the area. The first field trials of this product were started in the previous year, 1997 – the same year as the seeds were sold to farmers: so farmers were being used for the trial – a recognised malpractice.

The environmental NGO Biowatch started a study of the project in 2000. Their published results show:

- Bt farmers are now dealing with pest outbreaks, including stinkbug infestation, that they never encountered before. Therefore, over and above the cost of the licence fee for Bt, they still have the cost of spraying. In some cases a high proportion of the crop has been lost. In American trials stinkbug infestation had been noticed, but local farmers were not warned or protected.
- Small farmers must sign licence contracts that make it illegal to store seed and to exchange it with their neighbours. They did not understand this.
- According to the GMO Act, the legislation that covers commercial release of GE crops, farmers are held liable for any environmental or other damage as a result of planting these crops. Responsibility for genetic pollution or health damage has been passed to farmers, and not the company.

The theory behind the current system is called comparative advantage. It says that countries and regions should do what they do best and import the rest so that we all benefit by specialisation. It has never worked well, partly because some places have so much more advantage than others, who must rely on the 'advantage' of cheap docile labour. The global market has finally reached the end of its credibility, because what specialisation has done in the era of free capital and high technology is to ensure that labour as a factor of production has become increasingly redundant and therefore powerless. All countries must compete in a race to the bottom in terms of labour costs. The demise of small farming carries the implication of the end of food security. Rural areas, instead of remaining as safety nets for urban workers, become depopulated, while cities fester with the rural poor.

Canadian farmers are increasingly regretting their early adoption of genetic modification. One farmer, Percy Schmeiser, had the extraordinary experience of being sued by the GM food giant Monsanto, when some of their GM seeds blew onto his organic farm from neighbouring land, thereby ruining his business. Monsanto claimed that Mr Schmeiser had stolen their patented seed! Even more astonishingly, the Canadian Court found in favour of Monsanto. Such, it seems, is the reach of the corporations. Other Canadian farmers are experiencing hardships coping with the high cost of the accompanying chemicals, with the by-products in the form of super-weeds and insects, and with declining markets abroad. Their advice to Africa at the WSSD Summit was: 'If you don't already have GM crops in your country, keep them out.'

It is very clear that such crops cannot be contained where they are grown. They pollinate easily and affect crops over a wide area. This means that GM-free crops cannot be guaranteed within a wide radius of their production, and so will not be bought where GM is resisted or outlawed. Increasingly that includes the whole of the EU. That is the reason why African governments, seeking food aid as a result of famine, are refusing to take GM food: it would compromise their ability to export in future to lucrative markets in Europe. It is a disgraceful consequence of American attempts to push GM foods that African farmers are being offered GM seeds and technology or nothing.

But the economic effect of the current situation goes deeper than the means of food production. The technology necessarily entails trade in food. Identical types of food criss-cross the skies, the seas and the highways as they seek international markets. Fresh food travels thousands of miles, often arriving unripe, to be artificially ripened for a market on the other side of the world. Meanwhile the air, the waters and the land have been polluted in the process of growing and transporting food that is identical to the local product. Often the 'foreign' version is cheaper than the local because it has been mass-produced and mass-transported. Small producers are ignored by the giant corporations: it is not worth their while to deal with them.

Localising the growth and consumption of food – limiting the trade in food – would solve a heap of problems. Small farmers would be enabled to make a living: a vital matter in the whole of Africa and Asia. Food would be fresher, packaging more limited; and the environment would be spared the pollution of long-distance transport. Food diversity would return. French markets are a joy and a pleasure because their farmers have more successfully than most resisted the impact of the global trade in food; and their local diversity has been relatively preserved. For that, of course, they are generally regarded as stubborn, selfish, nationalist, even fascist. See Helena Norberg-Hodge's *Bringing the Food Economy Home* for details.

Yet the World Bank and Western development agencies are still funding large agribusiness schemes which displace local people and especially small farmers. Many are in 'partnership' with the multinational corporations. The British government is funding a scheme in Andhra Pradesh that will displace some 20 million people. Where will they go? It seems little has been learnt about the failure of these large export-focused schemes which employ relatively few local people and create profits for a few, including the corporations. One such was a Canadian-funded wheat-growing scheme in Tanzania that displaced 40,000 to produce a crop that only the elite eats. The local people are malnourished for the first time.

But an ecological crisis wider than that of food security looms. 'A conservative estimate suggests that the economic costs of natural disasters driven by climate change could equal and pass the value of gross world production in just over sixty years. But depending on how you measure it, it could happen in half that time.' That sobering thought from the New Economics Foundation's Andrew Simms in his Alternative Mansion House Speech is given weight by the floods in Europe, China and India in 2002. It also brings into focus the ecological aspect of Old Economics. Environmental protection runs counter to the imperatives of the unregulated global market. His conclusion is that the only way to meet the challenge is to 'create a vision of an environmental war economy. Our enemy is not another country. It is a hostile climate, and the weapon we have to disarm it is a change in our lifestyles.'

The UN Environmental Programme reckons some three million people have died as a result of extreme and unstable weather conditions. On that basis a case has been taken against the American government by the New Economics Foundation for the USA's refusal to sign the Kyoto Protocols, knowing that climate change stems from polluting emissions and results in death and loss to millions.

The present system is not only destructive but also unsustainable, because in its inevitable search for growth of all kinds, it uses more and more fossil fuels, and employs fewer and fewer people. World oil output could peak in 2005; and by 2050 we could have available only the same amount of oil as we used in 1950. Natural gas will probably peak in 2020. Coal will last longer; but its polluting effects are worse than those of other forms of fuel. Global gas guzzling will become increasingly expensive: all transport costs will go up suddenly and steeply unless we take some steps now. Meanwhile each year the world sheds labour. We need some 3% more fuel-based growth each year just to re-employ the labour being made redundant. World hunger and the inability of poor people to pay for what they need for health are intrinsic aspects of environmental degradation. Richard Douthwaite's *Short Circuit* is invaluable for a detailed exposition of this point.

So it is clear that the global market has some inevitable consequences that must be reversed if we are to regenerate the planet's productiveness, restore the capacity to feed everyone and give people back control over their lives and livelihoods.

How do we do that? The global alternative is very simple in principle. It is to create an international economy in which everything that can sensibly (including competitively) be produced locally should be so produced; and if it cannot be produced locally, we should go national or regional, and only finally global. What we consume should have travelled as little as possible to get to us. We should rely on local competition to make the market operate in the interests of consumers and staff – as well as shareholders. That process should happen globally, and into that global process should go the world's best technology, ingenuity and information. We will be freed from the compulsion to export, because we will not be driven to import. When we do export we will have flourishing markets to sell in.

Consider what might sensibly have been done in the UK during the foot-and-mouth outbreak. As we in Africa know, this disease is not fatal to animals and does not infect humans, who can safely eat the meat. Yet the British government arranged for the compulsory slaughter and burning of over a million animals, the great majority of which were uninfected. The cost to taxpayers ran into millions of pounds. The reason given was that foreign meat importers would not buy infected or potentially infected meat. But the real solution, since Britain imports and exports roughly the same amount of meat, would have been to stop exporting and importing it. The British people could have eaten local produce. The impediment was the rules of the WTO, which do not allow such an interruption to trade. It is true that some farmers would have objected to the (possibly temporary) loss of export markets; but that would surely have been a small price to pay to avoid the economically and emotionally devastating results of the attempt to wipe out the disease – which included an impact on the tourist industry.

The change of direction that would have been involved in such a solution to the foot-and-mouth epidemic is partly one of mind-set, and partly one of managing the interests of different groups in the economy. We need to return to Colin Hines' ideas around global localisation.

There are a number of ways in which governments can encourage local economic development, especially if they are released from the primary obligation to open their markets and exchanges to global trading.

Local Exchange Trading Systems (LETS)

In any advanced economy wealth tends to leak from rural to urban areas, from poorer to richer communities, from villages to towns. During periods of money scarcity – a permanent condition under the present dispensation – that process is speeded up. John Courtneidge of the Fair World Project in England defines five ways in which money leakages happen.

- Money earned locally is spent externally, because large outlets can sell more cheaply.
- External workers come into an area, are paid more than local rates and leave with the money.
- Non-resident ownership of land and other assets extracts profits and rents and spends them elsewhere.
- Local employment by external employers, who pull out when profits fall.
- Loans taken out by local people from lenders outside the area, ensuring that payment of interest goes external.

Part of the leaking process can be addressed by LETS – local currencies that circulate only in a limited area. These parallel or supplementary currencies enable trade and exchange in an area which is short of the national currency and therefore of livelihoods. People's skills can be activated by trading within the area, even though the national currency is in short supply. The system is sometimes compared to a form of barter. But it is much wider than that because the currency allows trading between people who do not want direct exchange. If I am a carpenter in Gugulethu I can build your kitchen for a price in LETS. I can then buy my vegetables from someone else, also in LETS. In cashless areas that transaction would not have happened, unless it were pure barter – direct exchange of carpentry for vegetables.

The currency can take physical form, such as notes or coins – provided they do not look similar to the national legal currency – or transactions can simply be recorded. For instance, Person A gave a service or a product, and so is credited with currency, while Person B received the same and so is debited in the currency.

LETS systems are, of course, entirely without the risk of inflation. The currency comes into existence only when a transaction in the form of a product or a service happens. The currency is limited to the amount of resources, human and natural, available in the community; and it can be expanded as long as resources are idle. It is not interchangeable with the national currency, so it cannot leak out of the community. It simply enables people to trade within a particular area. It has the limitation that it does not allow local people to interact economically outside the area; but it raises living standards within the community in terms of everything that can be created there. Some LETS systems allow transactions partly in the national currency – to cover the costs of materials imported into the area – and partly in the local currency.

There are over 7,000 such schemes running all over the world. In the English West Country alone there are 35 local currencies. South West Australia's LETS systems are so successful that you can pay your tax in the local currency. One American version is called Time Dollars. People accumulate credit for time spent in social services of one kind or another, and are entitled to 'spend' that credit on goods or services of a defined kind. In one scheme exoffending youths were offered the gift of home computers in exchange for time spent tutoring other youngsters who needed help with schoolwork. Another offers credits for helping elderly people in their communities. Clearly very much more is achieved in those schemes than simply the goods and services exchanged. Community solidarity and mutual understanding is a by-product of these community-restricted currencies ....

Chapter Five continues ….

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