

There *IS* an Alternative

J. T. Ross Jackson, Ph.D.

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A repeated comment of the promoters of corporate-led globalisation is that its critics have no agreed alternative to the dominant neo-liberal economic system. Hence their mantra: TINA — there is no alternative. This article is an attempt to put forward the outline of an alternative. What is just as important is that it suggests a realistic scenario for how this might come about in practice.

The Problem

But first, a brief background on the fundamental problem with the current economic system, which is normally called neo-liberalism. This economic ideology claims that it is based on Adam Smith’s principles of classical economics, in particular the “invisible hand” concept that says that the individual who optimises his own self-interest also optimises the whole society’s interest (“Greed is good”). This is the basis for the claim that a system of so-called “free trade” and self-regulating markets without government interference will benefit all of Humankind.

It has been well documented by many observers that the results to date have shown quite the opposite. Growth has slowed compared to the previous period, and what benefits that have been achieved have benefited a very small minority of the already rich owners and managers of giant commercial corporations, while the environment is being constantly degraded and social networks destroyed across the world. What we see here is not so much growth as theft — an illusionary growth that is unsustainable and primarily based on extracting wealth from the environment and from the poor and disadvantaged.

In fact, the system as practised today deviates significantly in three fundamental ways from Adam Smith’s classical economics, on which it claims to be based. Any one of these deviations is enough to expose the neo-liberalism promises as The Big Lie of our times.

Firstly, Adam Smith’s model was based on assuming only small buyers and sellers, who are unable to affect prices and influence politicians. The current system allows the existence of enormous international corporations that not only determine prices and buy corrupt politicians at home and abroad, but also reduce real competition by the misuse of patent laws, by entering cartel-like agreements and by destroying smaller potential competitors with their subsidized economic might.

Secondly, prices in neo-liberal economics do not reflect the total costs of production, which should include social and environmental costs according to classical economics. The result is the misallocation of resources that always occurs when prices are incorrect. As the IT industry puts it: garbage in means garbage out. We produce too many products that damage the environment and destroy local communities and too few that do the opposite.

Thirdly, the unrestricted movement of capital insisted upon by the neo-liberals has no justification in economic science or in empirical studies, as

pointed out, among others, by Joseph Stiglitz, Nobel-prize winning economist and former chief economist of the World Bank. It is simply a convenience for investment bankers and gigantic speculative hedge funds that want to be able to get their money out of a country fast when they see a better opportunity elsewhere, as documented in the financial crises of recent years in Malaysia, Indonesia, Thailand, South Korea, Russia, Brazil and Argentina. These sudden movements create unacceptable instabilities in financial markets, destroying healthy economies in the process, because our electronic transfer capabilities far exceed the abilities of stock and equity markets to absorb the massive short-term pressures on the system.

As a result of these three deviations from Adam Smith's utopia, we see an increasing gap between rich and poor within countries and between countries, with a corresponding increase in social unrest, including increased terrorism by desperate peoples with nothing left to lose.

The WTO

Joining the World Trade Organisation (WTO) in 1995 meant an automatic surrender of sovereignty to foreign corporations by every country, although very few people, including many politicians, are even aware of this, as it happened with little or no public debate. WTO rules prevent consumers from demanding to know where a product was made and how it was made. Was it made with environmentally damaging production methods? Was it produced in a Mexican maquiladora by underpaid Third World workers under unacceptable working conditions? We don't have to tell you, says the WTO — that information could put a foreign importer at a disadvantage. This is totally absurd. How can one talk about sustainable development and social justice if citizens have no control over the method of production of goods sold in their local stores? There is no incentive for any company to produce sustainably and socially responsibly under the WTO system. On the contrary, the opposite is directly encouraged. This is simply self-destructive for society and should be totally unacceptable.

Strategies for Change

A number of proposals have been put forward by well-meaning activists, for example reform of the WTO and the IMF to make them more democratic and accountable, or establishment of a global parliament or world government to settle conflicts. All of these proposals have one fatal assumption — that the USA will go along. In my opinion, this will never happen because the current system is in reality an extension of US power, is controlled by them and serves their interests.

There is only one way that change will occur, short of a major ecological or financial disaster that will force change upon us. One or more nation states must declare that they are going to do things differently from now on. They are going to choose a path different from the current Money-based Path, namely a Life-based Path, and they are going to do it together. They are going to *break away*. This is the way it is going to happen if it happens at all. In other words, a few courageous nations will have to step forward and show real leadership. Possibly even a single nation. One thing is for sure. It will not

happen by a decision at an international summit, or by new flowery declarations.

Leaving the WTO

The first, mandatory step of the Life-based Path pioneers will be to leave the WTO with six months' notice and form a new trade organisation. Let us for the sake of reference call it the Gaian Trade Organisation (GTO), reflecting the founders' commitment to the global commons. As should be clear from the above, the WTO embodies the very essence of corporate-dominated globalisation and all its related ills. Within the WTO regime, meaningful reforms are impossible.

The suggested GTO principles can be summarized as follows:

- (1) Members are committed to prioritise environmental and social factors over and above trade issues, with the goal of improving the quality of life of their citizens as measured by GNP-adjusted measures such as the Genuine Progress Indicator and the Index of Sustainable Environmental Welfare. Given this commitment, each member has the right to regulate capital flow, foreign investment and foreign access to its domestic market and local resources. Each member state is free to negotiate voluntary bilateral and/or multilateral trade agreements with other countries as it sees fit.
- (2) GTO members adhere to the conviction that corporations, both domestic and foreign, have obligations that must normally be fulfilled as a condition for operating in or selling products in a member country. These include full disclosure of (a) the method and place of production of any goods or services to be sold and (b) corporate environmental and social policies practised (c) hard evidence that the product is not a threat to health or the environment. Products which pass the test will receive a special GTO eco-label. Members may, at their sole discretion, but with cause, refuse access to their domestic market to any foreign corporation, product, or country, or place tariffs on such products that are admitted, to compensate for deficiencies in environmental or social standards, as compared to those required of domestic producers or of other foreign producers.
- (3) GTO members will negotiate reductions on tariffs on eco-labelled products to encourage trade in these items.
- (4) The GTO will discriminate positively its developing country members in order to reduce inequities in income distribution.
- (5) The GTO recognizes the right and legitimate need for member countries to protect their food security, culture, environment, national security, job security and vital industries through tariffs and other measures.
- (6) GTO members honour, respect and cherish the diversity of nature, culture, religion and personal opinion in self-determining, sovereign nation states having a high degree of participatory democracy.
- (7) Conflicts between a member state and another country (member or not) can be brought before an international GTO panel for comment and recommendation for resolution. The panel shall include

representatives of trade, environmental and social interests.
Compliance with recommendations is voluntary.

These principles resemble in some respects the pre-WTO GATT rules, for example, the voluntary trade agreements, the positive discrimination of developing countries and the conflict resolution mechanism. The GATT rules were very successful, and were in place during the “golden years” of trade expansion (1945-1970). Note that the developing countries preferred them to the WTO rules, and that the industrialised countries, with the exception of the USA, were lukewarm about the change to the WTO regime. Under GATT, growth rates were higher than under the WTO, and higher still if we adjust for the negative factors in the traditional GNP measure. Controls on capital movements were also standard procedure and quite successful during most of the GATT period.

Note also the explicit right to protect vital national needs as defined by each nation. This is a deviation from WTO rules, but not from the actual practice of the stronger WTO members, in particular the USA, which applies a double standard to its own national interests as opposed to others’ national interests. This GTO rule is simply more honest and levels the playing field among strong and weak member states.

A major purpose of the GTO rules is to reward corporations that can demonstrate environmental and social responsibility and penalize those who cannot. Thus we get the precise opposite effect of what we see under the WTO regime. A second major difference is the reversal of the burden of proof on health risks. It should thus be clear that there is no room for compromise with WTO rules.

GTO incentives will tend to move its members gradually towards a sustainable and equitable global society rather than towards an inequitable fascist world of social apartheid in a devastated environment. If the GTO pioneers are successful, others will join, and in time the WTO will disappear. This is the basic strategy.

There are many other aspects of this strategy that require more space: additional detail on recommended economic policies; the short term consequences; scenarios of which countries might take the initiative; the reaction of the USA; the necessity of new political parties or new programs by existing parties; a description of the many initiatives around the world that are preparing the ground, and much more.

Life after leaving the WTO will not be dull! We will probably see a second Renaissance that will mobilize a flood of creative forces empowered by the vision of a truly just global society.

*J.T. Ross Jackson, Ph.D., is co-founder and chairman of the charitable entity Gaia Trust, Denmark. A specialist in operations research, he has been one of the pioneers of the IT industry in Denmark, with particular experience in international financial markets. This article is based on ideas in his forthcoming book on the global economic system — **Breakaway** — with Helena Norberg-Hodge.*