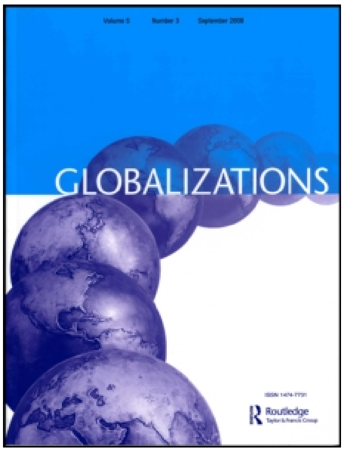

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Converging Crises: Reality, Fear and Hope

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Although the G-20 and other official bodies have so far refused to acknowledge the fact, we are not simply living through a financial crisis, however grave the financial aspects of the current upheaval may be, but a multiple crisis whose component elements all strengthen and reinforce each other. For that matter, it's not even a 'crisis', which in uncorrupted language is a relatively brief moment between two possible outcomes—in an illness, for example, between recovery and death. We're in for a much longer period but here we will bow to the now-standard vocabulary.

Beyond finance, one should recognise that inequality within and between countries and citizens has reached unsustainable levels in both developed and developing countries. Poverty is spreading and deepening, food and water scarcities are worsening, conflicts thrive in increasingly stressed societies, and catastrophic climate change—advancing much faster than experts predicted—looms over the whole.

These aspects can no longer be envisaged separately: to provide just a few pump-priming examples of connections, we may note that the rich have huge, dinosaurian ecological footprints and despite their relatively small numbers arguably cause far more damage than hundreds of millions of poor people. As Jared Diamond shows in his book *Collapse*, a major reason for the ruin of past societies under environmental stress was the consumption of the elites who continued massively to use up resources long after their far poorer compatriots had felt the pinch, and thus drove their societies over the brink. Global warming hits the poor harder than the rich as well, simultaneously exacerbating social inequalities and food and water shortages. The financial crisis grinds down the poor: one need only think of the tidal wave of foreclosures in the United States that has thrown millions of families onto the streets, deepening their insecurity and poverty.[1]

Prices for the very food staples the poor most depend on for their daily tortillas or chapattis may double overnight when financial speculators move into commodities markets or governments and large landholders place massive land resources under cultivation for agro-fuels. And how can one even imagine fixing the economy when millions have less money in their pockets and have been hard-hit by the financial and job meltdown?

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This is only a sampling of the myriad interactions between the elements of the plural crisis, yet these impacts remain largely unrecognised. The financial sector, already deeply divorced from the real economy in which real men and women live has moved even further away from it and is once again creating bubbles destined to burst one by one. The moment stock markets show signs of life, we are told that the crisis is over.[2]

The newly self-appointed global government of the G-20, accompanied by its perennial acolytes the World Bank, International Monetary Fund and World Trade Organization, clearly have not grasped present realities. The remedies they have so far devised are limited to the financial sector—the only aspect of the crisis they perceive—and even there, the remedies are turning out to be worse than the disease. Estimates of the money thrown at the world's financial institutions start at about five trillion dollars ($5,000,000,000,000); many are much higher than that.[3]

This money does not come out of the air but is like all value rooted in work and in nature. Governments are betting on future work in the form of taxes, and on nature in the form of cashed-in, non-renewable resources to pay for their largesse to the financial sector. Thus they are also counting on the future *tout court*, which takes on the shape of an ever-growing pyramid of debt.

To finance such debt, the solution chosen by the United States is to sell Treasury bonds (the UK sells its 'gilts') which deepens the deficit and pushes the debt ever further into the future. Nothing, however, guarantees that the US government will not succumb to the temptation of devaluing its currency, overtly or covertly, in order to reduce its debt burden: abundant signs of such a strategy are already visible on the horizon and a bubble in government securities is a distinct danger. They can also, along the same lines, simply print money, conjuring up visions of Weimar and similar horrors that wiped out an entire society and led to history's bloodiest war.

They can also continue to liquidate forests or soils or minerals at fire-sale prices—their own, or other peoples' depending on how far their predatory reach can stretch. And they can of course tax (and tax, and tax) their citizens while simultaneously reducing the entire range of government services. The G-20's preference for such measures is obvious: it has no other policy to offer. Citizens everywhere will pay for it not only in taxes and in reduced public services but also through lower investment and consequently higher unemployment.

Let us further understand that despite the posturing of unity and New World Order rhetoric, when crisis strikes, it's every man for himself. The European 'Union', its European Central Bank (ECB) and its largest and richest state, Germany, graphically demonstrated this truth, avoiding taking any responsibility for anyone else's problems as one would avoid kissing lepers.

Witness the case of Latvia, one of the recently acceded (2004) European member states. Since 2008, this unfortunate Baltic nation has watched 18% of its gross domestic product (GDP) evaporate and is courting collapse. One might think that under the circumstances, in this fine Union, the European Central Bank would take responsibility for lending to Latvia. One would be mistaken: the ECB neither kisses nor lends to lepers. We should not forget that the ECB stands in the shadow of the Bundesbank in Frankfurt and that the latter does not choose to risk any EU member state's default. Thus the IMF will take over the lending functions under its usual conditions of harsh surveillance. The same is true for Romania, for weak Eurozone countries like Greece and, say the more pessimistic among us, possibly even for countries like Spain and Italy at some future date.

Is this a rational policy? Not really. If Latvia or Greece could borrow under softer terms with the ECB's and the Eurozone's backing, they would spend less paying back their creditors and more shoring up their economies; they would therefore recover faster. They might then spend a good deal purchasing German exports—but this is a prospect too remote for anyone in authority to bother contemplating, including, as far as one can tell, the European Commission or the ECB.

In the United States, as in the EU member States, if citizens called for better funding of schools and health care, more investment in jobs, better public services or infrastructure and the like, they were told that funds were alas unavailable. They should be patient and make do with less. However, when the banks through their own folly risked meltdown, billions of dollars were found within a matter of days. As for the IMF, it received 750 of those billions, conveniently pulling it back from the brink of insolvency where it had languished for several months, relying exclusively on the fragile repayments of loans it had made to places like Turkey or Pakistan, to pay its staff's salaries.

So many outrageous arrangements have been made in total contempt for hapless citizens that one scarcely knows where to begin: better, then, not to try but to note simply that in a normal society operating under normal market or capitalist rules, the banks would belong to the tax-payers who are entirely responsible for their salvation. We have all been raised to believe that when one opens one's pocketbook, it is in the expectation of receiving some good, service or benefit in return. In the case of paying one's taxes, one expects also to benefit from a functioning society.

It is further usually a matter of public morality, if only to save the politicians from opprobrium, to protect the innocent and cause the guilty to be punished. None of these principles holds true any longer. The guilty are rewarded a hundred-fold and the innocent are told to shut up and fork over. They receive absolutely nothing in exchange for their contributions—those of today and of many, many tomorrows. They are given instead unemployment, reduced pensions and public services and lower standards for themselves and their children. Profits are privatised whereas losses are socialised, as is customary in societies based on neoliberal, market fundamentalist ideology.

The extreme events of the past several months, unprecedented since the 1930s, should lead us to examine carefully the place we are living right now and what might happen to alter the landscape—for better or for worse. One might class the possibilities negatively and positively. On the negative side are many fears but on the positive side some hopes, which could ripen into reality if popular forces began to organise into alliances with political weight and clear purpose.

First the fears: in short order, things could easily become far worse. Imagine that a bubble in government paper inflates and, like all bubbles, is punctured. Say this happens in the United States: the US dollar no longer plays its role as universal currency; stopgap measures are put in place to little avail, millions, and not just Americans, lose their savings, pensions, insurance and so on. The climate begins to flip. For Europeans and North Americans, it could go either way—towards ice as a result of melting glaciers pouring billions of tonnes of freezing water into the oceans, creating havoc with the Gulf Stream and other ocean currents; towards fire as CO_2 and methane emissions cause runaway temperature rises accompanied by drought and rapidly rising sea levels.

Millions of climate refugees are on the move and no army on earth can stop them. Diseases are spreading much faster and conflicts aimed at securing such basics as food and water are proliferating. Soon all our fine monuments and trappings of civilisation resemble the statue of Ozymandias in the limitless desert.[4]

Unsurprisingly, humans are loathe to envisage such calamities; preferring to believe that somehow 'they'—those in positions of authority—know what they are doing and will take care of things so that no one need be confronted with such dire scenarios. Facing such a possibility for the first time in the history of humanity, much less that of Western (or for that matter Eastern) civilisation, is exhausting, scary and gives rise to the Scarlett O'Hara Syndrome: 'I won't think about that today. I'll think about that tomorrow.'

The recent performance 'they' have given with regard to the crisis is hardly encouraging in this regard, nor conducive to confidence. Still one can find room for an alternative scenario and many remedies are staring us in the face. The multiple, converging crises can also be seen positively, as openings towards rational solutions. The hopes might be outlined as follows.

Regulation is an obvious necessity. The private financial sector spent literally billions lobbying to get regulations removed. The resulting unlimited freedom led directly and necessarily to disaster. The removed regulations should be put back in place and left there. It beggars belief that our governments in their wisdom did not immediately insist on such elementary measures. Where are you, spirit of Franklin Delano Roosevelt, when we need you most?

Many people, of whom I am one, would like to see the banks simply socialised and credit made available to deserving borrowers, both firms and households (particularly those with a green project) at cost. All repossessions of dwellings should stop and people should be allowed to stay in their homes at the market rent; with rental payments counting towards ownership. Since the entire US economy was based on debt, families should receive at least the same consideration as large banks when it comes to easy terms. If the far more dire debts of the mega-banks can be rescheduled, so could those of householders and smaller firms.

Redistribution is the remedy for exacerbated inequality; not necessarily, although sometimes, through cash payments; more often through enhanced public services, better quality education, health care, public transport and the like. Progressive taxation is an invention of the early 1900s, perfected in the post-World War II period. Surely we are not so timid that we cannot emulate these prescient pioneers and share with those who have, for whatever reason, less. In order that they have more, wages must reflect productivity gains which in the age of globalisation they no longer do, so long as someone, somewhere, almost as productive as you, is willing to work for five or 10 times less.

'**Re-localisation**'—which might also be called '**de-globalisation**'—simply means bringing economic activity back closer to the people most concerned by it, particularly for food and other necessities. The concept needs support. As many activities as possible should be kept within local communities; in many places this is already happening spontaneously. 'De-growth' (from the French '*décroissance*') is the other aspect of the negative turned positive value: you may reduce economic 'throughput' in the system, but you increase ecological protection and human happiness.

Emergency action on climate must be undertaken at every level, from the personal to the national to the global, with the greatest possible speed. We are not talking about 2050 but about tomorrow. Such action begins by stopping the enormous waste that today dominates energy-use. Everyone knows what needs doing, no elaboration is necessary here.

A new **North/South balance** is urgently called for. The poor of the South have for decades financed the rich of the North whilst the rich of the South find eager cooperation in the North (from tax havens, banks, property developers and so on) to rob their own people. A minimalist morality; the smallest sense of fairness, would be a great help here, beginning with debt cancellation, accorded conditionally on ecological cooperation against climate change and redistribution to the poor and hungry. If we could reduce global warming and thus numbers of climate refugees and unnumbered local conflicts, we could also reduce, in the fullness of time, arms spending—about a trillion dollars a year as things now stand.

Democracy is under siege. Another grave aspect of the crisis is that citizens are gradually being deprived of their voice. This is probably most evident in the European Union where democratic practice is held in open contempt as the French, the Dutch and the Irish learned when they did not vote correctly on decisions already made by their betters. Scorn for popular sovereignty is only one feature of the anti-democratic assault. Others are such concepts as 'stakeholders' who have replaced 'the people'. We owe this shift to Third Way theoreticians; let us simply recall that having a 'stake' always refers to property or bets; never to political rights or political power.

Contempt for the politically incompetent, ordinary person is accompanied by the free reign given to private sector interests expressed through lobbying. The vast influence of lobbies remains unchecked and the recently established EU 'voluntary register' is a bad joke, encouraging further undermining of democracy. The ordinary person, once, but no longer considered a 'citizen'—how quaint! —is simultaneously reduced to the status of consumer. 'Consultation' and 'consensus building' similarly replace the far more healthy confrontations and differences of opinion that democracy entails. We are thus consulted on pre-arranged decisions which the powerful have already made and are unlikely to alter on grounds that those consulted do not accept them.

The enormous task before us is to restore both representative and participatory democracy in order to regain and exercise political control over our own affairs. Who might do such things? People are indignant but they also feel powerless. So far, they do not seem to have become angry enough to act; perhaps they also fear that action could make things even worse; that they still have too much to lose. Possibly they simply do not see how to begin.

It is worth pointing out, therefore, that finance capital has shown itself to be the enemy of all: of working people, pensioners, trade unions, small businesses, environmentalists, public service employees and users—the list goes on. Finance capital is at once more remote from the concerns and activities of real people and more damaging to their lives.

It is clear that national governments and the embryonic 'world government' of the G-20, World Bank, IMF, WTO, et al., have chosen to serve the narrowest possible private minority interests of transnational financial and industrial corporations. Despite the odds, however, interests opposing their choices are legion, the motivation for collective action exists and the raw materials with which to build powerful new social and political alliances are before us. We have the numbers, the ideas, and collectively, even the money. What we lack is sufficient self-confidence, rooted in the collective consciousness of our own strength and our great, historically proven capacity for creating positive change.

Hope is fragile, but even when expressed negatively holds promise: although 'they' do tend to 'win' much of the time, inertia, ignorance, injustice and violence do not always triumph. The history of human emancipation is not over. Reality can give rise to fear, but can also give grounds for hope. Hope is indeed our only hope as we confront the twenty-first century reality of converging crises.

Notes

1 Total foreclosures in 2008 were 2.3 million, rising to 2.8 million in the first three quarters of 2009. The 2009 total is expected to reach 3.5 million. Because of mounting unemployment, according to the American Mortgage Bankers Association (http://www.mbaa.org), about four million more home-owner loans are 'delinquent' (no payments for 90 days) or in the first stages of foreclosure. See also the site of http://www.realtytrac.com for a commercial source on foreclosed properties for sale.

2 In the 1950s, outstanding loans in the United States were evenly divided between the financial sector and the real economy. By 2007, over 80% of loans from US banks were going to the US financial sector. See Dirk Bezemer (2009), Fellow at the Research School, Economics and Business Department, University of Groningen.

3 Worldwide bailouts are notoriously difficult to quantify. Factors to consider are whether sums have been committed or actually invested by governments; the great number of government agencies undertaking the disbursements; whether or not recipient banks are paying them back or intend to do so; differences in national reporting systems and the like. The CNN Money Page 'Bailout Tracker' (http://www.cnnmoney.com) in November 2009 gave for the United States alone the figures of three trillion dollars invested and 11 trillion committed. At the Treasury Department, the Special Inspector General for the government rescue 'Troubled Assets Relief Program', or SIGTARP, Neil Barofsky, caused a stir when he published his office's July 2009 quarterly report announcing total US government guarantees to financial institutions of $23.7 trillion. Secretary Geithner was not amused; the SIGTARP replied that all his office had done was to add up the numbers (http://www.sigtarp.gov).

4 From Percy Bysshe Shelley's poem *Ozymandias*:

> I met a traveller from an antique land
> Who said: 'Two vast and trunkless legs of stone
> Stand in the desert. Near them on the sand,
> Half sunk, a shattered visage lies, whose frown
> And wrinkled lip and sneer of cold command
> Tell that its sculptor well those passions read
> Which yet survive, stamped on these lifeless things,
> The hand that mocked them and the heart that fed.
> And on the pedestal these words appear:
> 'My name is Ozymandias, King of Kings:
> Look on my works, ye mighty, and despair!'
> Nothing beside remains. Round the decay
> Of that colossal wreck, boundless and bare,
> The lone and level sands stretch far away.

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