tions have been reduced to shells of their former selves. They are mere window dressing, keeping up the democratic illusion in governments that are less and less so. Behind this façade of virtual democracy, ever more sophisticated techniques of surveillance and social control are developed and tumble into the hands of those holding the reins of capitalist power. Unbeknownst to most citizens, networks of computerized files, accessible to all for a price, encircle their personal and professional lives. There has been a multiplication and growing specialization of public and private police services of all kinds. Cameras monitor public and private venues; computers permanently track people's activities and movements; specialized personnel (social workers, police) monitor and control neighborhood life, communities, and age groups considered to be dangerous or at risk. One day soon they will be electronically (genetically?) tagged and tracked, as is already the case in the world of prisons and crime prevention. Wherever social control seems to be a waste of effort and too costly, vast rural and urban zones and their populations are abandoned to the barbarism of those patchwork and disparate zones of the planet where even the heartless standards of "globalization" do not hold sway.

There is, however, nothing inevitable about this process of globalization and the establishment of a totalitarian universe. The destruction and hair-raising increase in social inequality that result from this process have provoked a large number of pockets of resistance scattered across the globe. Nowhere is it written that the peoples of the planet are somehow predestined to a new form of slavery. Through the course of human history, the aspiration of peoples to freedom and justice has never failed. Of course, no resistance will have long-lasting effects without an awareness of the ways in which the capitalist system operates in the era of globalization and a sound understanding of its sophisticated techniques of domination.

Eric Toussaint has done a commendable job of contributing to the development of just such an awareness and understanding. He has helped us to understand the question of debt, one of the main ways in which the peoples of the world are exploited by those who hold the reins of capitalist power. With the pedagogic approach of someone unflinchingly dedicated to overcoming this exploitation, he places the problem in its proper historical and geopolitical context. In so doing, he has fulfilled his objective of contributing to the emancipation of the oppressed, wheresoever on the planet they may be.

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Introduction

The most urgent task is not to deliver up the poor to the appetites of the wealthy, as do the World Bank and the IMF at the moment, but to preserve for the long term hard-won social and environmental guarantees. Those guarantees should then be spread to all the inhabitants of the planet.

—Albert Jacquard, *J'accuse l'économie triomphante*

A growing number of the planet's inhabitants have access to little more than the strict minimum necessary for survival. Cut off from knowledge and excluded from social life, they are denied the most basic human dignity. Consequently, they lack self-confidence and self-respect, and have little confidence in and respect for others. Such things are difficult to capture statistically, but it is no exaggeration to say that more than a billion people live in such a state—a state that destroys all hope, a subhuman state, an unacceptable state of affairs.

I am haunted by the memory of street children in Cartagena de las Indias in Colombia. At dawn, dressed in rags, after sleeping on the bare ground wrapped in nothing but bits of cardboard, they began their daily search for glue to sniff. They were between the ages of seven and eleven. That was in 1992. These children had no right to food, to decent clothing, to a roof over their heads, to health care, to education, to affection. No rights. They, and thousands like them, had sunk to sniffing glue in order to quell their hunger pangs day and night.

When I bought them something to eat from a stand at the Cartagena docks, they swallowed slowly and with difficulty. Their bodies were used to glue fumes, not food, fumes that both relieve and destroy them. What is the average life expectancy of these children? Twenty years? Twenty-five years? They are known as *desechables* to many in Colombia, a term that usually refers to disposable products. These desechables, these "disposable children," are murdered by the army and police forces of Colombia, Brazil, and the Philippines in order to "clean up" the cities. According to the 1997 report of the United Nations Development Program (UNDP), 200,000 street children live in Brazil. In recent years, police have killed hundreds in the name of "law and order." Moreover, the International Labor Organization calculates that about 250 million children between the ages of five and fourteen worldwide are forced to work to survive (*Le Soir*, November 13, 1996, and February 27, 1997). A significant number of these children become bonded laborers to repay debt (see Bonnet 1996). In the countries of the South and North alike, networks for the sexual abuse of children are regularly uncovered.

No self-respecting human being can remain unmoved by such injustice. We are moved to unite with others to do what we can to put an end to this intolerable situation as quickly as possible.

Barbarism now reigns over a large part of humankind. That does not mean that those who live in such conditions have no desire for a better life. They are not barbarians. Hundreds of millions of people are engaged in daily struggles and have organized themselves in movements to fight for a better world. This book is dedicated to them. Their creativity and their experiences in struggle have strengthened my conviction that emancipation is possible.

Karl Marx declared long ago that the emancipation of the oppressed could be achieved only by the oppressed themselves. Our fundamental objective, wherever we live on the planet, must be to contribute relentlessly to this emancipation.

The book's layout

Below are forty-eight contentions that summarize the bulk of this book. Due to space limitations, the parts devoted to neoliberal ideology, alternatives, and counterinitiatives are not summarized here. A glossary has been included to assist with unfamiliar words, expressions, acronyms, and abbreviations. The works cited in the text or consulted during its writing appear in the bibliography. In the text, whenever material is quoted or reference is made to a work, the author's name, the year the work was published, and, where relevant, the page numbers are given in parentheses. A chronology of the relations between the World Bank/International Monetary Fund (IMF) duo and the Third World also appears.

Any comments, suggestions, or criticisms intended to make the work easier to understand, correct oversights, or rectify errors that escaped the author's attention are welcome.

The contentions of this book

▶ **1.** Since the 1980s, a process of massive impoverishment has occurred worldwide, resulting from a series of deliberate policies collectively referred to as "neoliberalism." This assertion, central to the book, rests on the critical analysis of statistics provided by the UNDP (see glossary) and the World Bank, among others, and observations made by the author during multiple study trips to the Third World, Eastern and Western Europe, and North America (chapter 1).

▶ **2.** Globalization (see glossary) is inseparable from the deregulation of capital markets implemented by the governments of the major economic powers and the multilateral financial institutions at their service (World Bank, IMF, BIS; see glossary) (chapter 1).

▶ **3.** Globalization entails increased financialization (see glossary) of every nation's economy, to the extent that some authors write of the "tyranny" of the financial markets, which significantly reduce the freedom of governments to determine their policies (chapter 4). However, this does not mean that the point of no return has been reached; the financial markets could be brought under control if the political powers so decided.

▶ **4.** Globalization is not a purely economic process. The policies pursued by a growing number of governments, following in the footsteps laid down by Reagan and Thatcher in the early 1980s, have greatly accelerated it. Political leaders have deliberately curtailed possibilities for their governments to intervene (chapters 1 and 5).

▶ **5.** A clear change of direction is needed, where fulfilling human needs is central to government policies. To reach this goal, restrictive measures must be taken against capital holders. The oppressed can become agents for revolutionary change. Corporate-driven globalization is not inescapable, and those who claim otherwise must realize that they, too, can be circumvented (chapters 19 and 20).

▶ **6.** In twenty years of neoliberal policies, economic growth has not attained the levels of the three decades that followed the Second World War. Not only has development slowed, but the neoliberal project depends on increased inequality, both within countries and between the countries of the center and the periphery (chapters 1–4).

▶ **7.** Globalization in its present form entails recentering investments, production, and trade on the three main poles for industry, finance, commerce, and the military, i.e., the Triad of North America, Western Europe, and Japan (chapter 3).

▶ **8.** The Third World and the former Soviet Bloc have been marginalized, with a few exceptions (chapter 3). Within these two regions, where 85 percent of the world population lives, marginalization of the majority of the population is growing, concentrated in the most deprived regions.

▶ **9.** In the countries of the North, a growing minority is excluded from production and resorts to public welfare systems (social security), won through the struggles of the oppressed in the twentieth century, or lives by its wits (chapter 1).

▶ **10.** Globalization in its present phase means opening borders to capital flows and closing the borders of the highly industrialized countries to people from the Third World and the Eastern Bloc (chapters 9 and 13).

▶ **11.** Wealth is produced by human labor and nature. Capital holders are diverting a growing proportion of the surplus produced by human labor to the financial sphere, while the fraction of the surplus they invest in the productive sphere is diminishing. This process cannot continue indefinitely; however, without pressure from below, it could last for some time and cause more frequent and far-reaching financial crashes (chapters 3, 4, and 17).

▶ **12.** Globalization is part of a global offensive of capital against the labor of workers and small producers (chapter 1).

▶ **13.** Globalization accelerates the concentration of capital in the hands of a few hundred companies. Multinational corporations (MNCs) become more powerful, and a state of oligopoly (see glossary) results (chapters 2 and 3). Nevertheless, this process should not be exaggerated. Competition between MNCs is intense and none is in a position to have a global monopoly. Furthermore, MNCs have not shaken themselves free of national states, a clear indication of their limitations. As a rule, they continue to rely on the state of their country of origin, where they make more than half of their total sales (UNCTAD 2000a). Foreign direct investment (FDI; see glossary) increased in volume from $200 billion to $1.1 trillion between 1990 and 2000 . After the sharp slowdown in growth that began in 2001, FDI plummeted. FDI to the periphery is spread unevenly, with five to eight countries receiving more than 50 percent of it each year, while the forty-nine least developed countries (LDC; see glossary) together receive only 0.5 percent. On a global scale, the greater part of FDI (more than 70 percent in 1999 and 2000) was used to buy existing companies in order to strengthen the impact of the MNCs concerned. Acquisitions are often followed by job cuts, factory closures, and the discontinuation of services.

▶ **14.** Unemployment in the North is not due to massive transfers of production from the North to the South or Eastern Europe (chapter 3). The unequivocal results published in two comprehensive National Bureau of Economic Research (NBER) working papers are interesting in this regard. The papers were based on a large sample of US MNCs and their subsidiaries over the ten-year period from 1983–92. In only a marginal number of cases were jobs from the headquarters of companies in industrialized countries replaced by jobs in their Third World subsidiaries. At the same time, substantial movement occurred between the various subsidiary branches. The papers also note that "the rise of investment in countries like Brazil poses a much smaller threat to employment at company headquarters in the USA than it does to employment in the subsidiaries of developing countries in Asia." NBER's meticulous econometricians then compare the different subsidiaries and conclude that "the activities of subsidiaries in developing countries are complementary to, and do not substitute for, the activities of subsidiaries in the developed countries" (Brainard and Riker 1997). Therefore, even between subsidiaries, workers are placed in competition with one another, but only when the subsidiaries are in countries with comparable skill and productivity levels.

▶ **15.** The crisis that shook Southeast Asia—specifically Thailand, Indonesia, the Philippines, and Malaysia—beginning in summer 1997, shows the limitations of a "development" model based on low wages, an open economy, and export-oriented growth that relegates the domestic market. This model goes hand in hand with a tendency to add continually to the trade deficit. As in the 1994 Mexican crisis, the problem is rooted in a fundamental imbalance: imports increase faster than exports due to the imposed relationship of dependency that leads countries to import investment and consumer goods from the rich countries. Exports grow only if wages are kept down to an "attractive" level, because of the competition with subsidiaries in other countries. Growth may be strong, but it is based on an unstable, breakneck race that entails continual distortion of the socioeconomic structure. The total liberalization of capital inflow and outflow puts these economies at the mercy of a sudden massive withdrawal of a large quantity of capital in search of quick profits or a safe haven. Such a capital outflow leaves the governments and companies of the countries involved with an immediate need for liquid assets, and debt rises quickly (chapter 17).

▶ **16.** Beginning in the sixteenth century, the development of international lending has gone hand in hand with the international expansion of European capitalism (chapter 6).

▶ **17.** At the end of the nineteenth and in the early part of the twentieth centuries, external debt played a fundamental role as an instrument of domination and destruction in the policies of the major capitalist powers toward some secondary powers that might have become powerful capitalists, for example, China and the Ottoman Empire (chapter 7).

▶ **18.** During the Latin American external debt crisis in the 1930s, fourteen countries unilaterally decided to suspend debt payments, which contributed to their economic success. Fourteen governments of different political leanings reacted simultaneously to implement policies more favorable to the domestic market. During the debt crisis of the 1980s, the United States and other major capitalist powers imposed country-by-country negotiations and came out on top (chapters 7 and 8).

▶ **19.** The debt crisis of the Third World (and the former Soviet Bloc) is closely intertwined with the first stages of deregulation of the financial markets in the latter half of the 1960s (chapters 6 and 8).

▶ **20.** Third World debt climbed steeply from the second half of the 1960s until the late 1970s. Private banks, the World Bank, and the governments of the North (with export credits, in particular) pursued a policy of low-interest, or even negative interest, loans. Therefore, it was a good time for the countries of the South to borrow, especially as export revenues were growing due to an increase in the prices of products exported from the South. The governments in the North encouraged debt in the South in order to provide an outlet for Northern products. Private banks, for their part, held a considerable volume of capital on deposit and were looking for investments, even high-risk ones (chapters 6, 8, 10, 11, 15, and 17).

▶ **21.** The Third World debt crisis, which broke in 1982, was due to the combined effects of the sudden interest rate increase decided by the US Federal Reserve at the end of 1979; the fall in export revenues, which created a trade deficit for countries in the South; and the suspension of bank loans (chapter 8).

▶ **22.** The governments of the North and South, the multilateral financial institutions (the World Bank and the IMF), and the big private banks managed the debt crisis in such a way as to draw into a cycle of increased dependency Third World and former Soviet Bloc countries that had achieved real industrial, even financial, power. The Southeast Asian crisis produced the same result (chapter 17). The least developed countries of the Third World that had not reached a cumulative process of industrialization became more deeply subordinated to the interests of the major industrialized countries (chapters 11, 12, 15, and 16).

▶ **23.** The international lenders—the IMF; the World Bank; the Paris Club, which brings together the governments of the North as creditors; and the London Club, which brings together the private banks of the North (see glossary)—dictate their conditions to debtor nations (chapters 10–12 and 15–18).

▶ **24.** Structural adjustment plans (SAPs) serve as instruments to rein in the countries of the Third World and former Soviet Bloc (chapters 11–13 and 15–18). The underlying logic of SAPs has been exported to the North, whose populations are also subjected to austerity plans (chapter 13).

▶ **25.** The effects of SAPs are generally disastrous. In some cases, they have aggravated dramatic social crises, leading to renewed outbreaks of so-called ethnic or so-called religious conflicts and even to the breakup of states. Somalia, Yugoslavia, Algeria, and Rwanda are cases in point. Although SAPs were not the decisive factor in these crises, they were certainly powerful catalysts (chapters 12 and 16).

▶ **26.** Repayment of internal and external debts has proved a formidable mechanism for transferring to the center the surplus wealth created by workers and small producers in the countries of the periphery and the former Soviet Bloc—indeed, for transferring the wealth created by labor to capital the world over (chapter 9). This is not a simple matter of the center draining wealth from the periphery. Rather, a class analysis clearly shows that this transfer of wealth is part of the aforementioned generalized offensive of capital against labor.

▶ **27.** Debt is one of several mechanisms for subordinating the peoples and states of the periphery to the center, symbolized by the Group of Seven (G7). Other mechanisms include unfair trade, with less favorable terms for the countries of the South; control of world trade by MNCs and the industrialized nations; military domination by the powers of the North; repatriation of profits by MNCs of the North implanted in the South; the "brain drain" from the South to the North; environmental depredation; depredation of natural resources; protectionist barriers raised by the North against goods from the South; and restrictions on the movement and settlement of citizens of the South in the North (chapter 9).

▶ **28.** Repayment of the public debt by the industrialized states is analogous to Third World repayment of external debt. However, the context is slightly different, as this is mainly debt contracted within the same country. Public debt bonds are primarily bought by capital holders. The debt is repaid by the state, which devotes an increasing share of taxes, paid mainly by workers, to this purpose. This is another mechanism for transferring the surplus (see glossary) from workers to capital holders (chapter 9).

▶ **29.** The internal public debt of the states of the South is growing fast, especially in Latin America and Asia. Here, too, repayment acts as a mechanism for transferring part of the surplus wealth to capital holders (chapters 15 and 16).

▶ **30.** The main powers of the capitalist center control the World Bank and the IMF, which intervene daily in the political life of debtor countries to decide the main orientation of their governmental policies (chapters 9, 11, 12, and 14–16). Since 1995, when it was created, the World Trade Organization (WTO; see glossary) has formed a trio with the two Bretton Woods institutions (chapter 18).

▶ **31.** These institutions have a highly efficient means of blackmail. If governments do not repay their debts as stipulated in the conditions dictated by the IMF, the World Bank, and the Paris and London Clubs, their lines of credit will be cut off. If that happens, all sources of external funding may dry up (chapters 11, 12, and 16).

▶ **32.** Much of the debt contracted is illegitimate and odious (chapters 15, 16, and 19).

▶ **33.** The peoples of the periphery have largely repaid the debt contracted prior to the interest rate hike in the early 1980s, for which they were in no way responsible. Between 1980 and 2002, the periphery repaid more than $4.6 trillion ($4,600,000,000,000), eight times what was owed in 1980 (chapters 8, 9, 15, 19). The amount paid is equivalent to more than fifty Marshall Plans (see glossary).

▶ **34.** The Third World is four times more indebted now than it was in 1980, because it was forced to take out new loans in order to pay higher interest rates (chapter 9).

▶ **35.** Real export revenues of Third World countries have fallen, though the volume of exports has increased. Trading terms between the countries of the periphery and those of the center have evolved to the detriment of the former (chapters 8, 9, 13, 15).

▶ **36.** In the 1980s, the biggest Third World debtors were Mexico, Brazil, and Argentina. The character of their external debt has since been modified to benefit the private banks of the North with the complicity of those governments concerned. This required the joint intervention of the US government (the Baker and Brady Plans), the cartel of private lender banks (the London Club), the IMF, and the World Bank. The banks significantly reduced the weight of these debts in their portfolios, and they have found ways to protect themselves from bad debts. In most of the countries of the North, they can qualify for tax exemption or reduction by providing a bad debts reserve. Since the early 1990s, the North's private banks make only short-term, high-interest loans. Moreover, following the example of other financial players (pension funds, mutual funds, insurance companies, etc.), they mainly buy debt paper or bonds issued by some of the biggest debtor countries (Mexico, Argentina, Brazil, Turkey) and guaranteed by the state. This debt "securitization" (see glossary) enables private financial players to part with debt paper the moment risk appears or whenever they decide that it would be more profitable to invest in another sector or country (chapters 6, 15, and 17). This fluidity is synonymous with instability, because capital can be moved fast and in vast amounts. This was what happened in 1997–98: the Southeast Asian crisis, the international stock market crisis, the Russian and the Brazilian crises followed one after the other in quick succession, as there was nothing to prevent them from spreading. Moreover, after the Southeast and East Asian crises, the big private financiers and the IMF forced those governments to nationalize the debts of their private companies and issue state debt bonds on the international financial markets. This would ensure the repayment of emergency loans made by the big lenders, under the auspices of the IMF. Broadly speaking, the handling of the Asian crisis mirrored that of the Latin American crisis. The idea of "securitization" gained ground, and the adjustment imposed on the populations and economies of East and Southeast Asia was as brutal as the Latin American adjustment.

▶ **37.** This overall evolution makes debtor countries more fragile, as the debt paper or bonds they issue can be sold easily. Overnight, these countries may find themselves unable to raise the large sums needed for debt servicing or to ensure their balance of payments. A string of crises illustrates this fragility: Mexico in December 1994, Southeast and East Asia in 1997 and 1998, Russia in August 1998, Brazil from December 1998 to January 1999, Argentina and Turkey from 2000 to 2003, and Brazil in 2002.

▶ **38.** As in the 1994 Mexican crisis, the IMF intervenes to try to limit the damage. However, the IMF is tightfisted: it makes loans with a risk premium, increasing the external debt burden for borrower countries. This gives the IMF an even tighter stranglehold over those countries.

▶ **39.** Since 2000, the flows of loans and investments to the periphery, with the exception of China, have been sharply reduced. The World Bank had to acknowledge that "the developing countries are still net exporters of capital" (World Bank 2003a, cited in chapter 9).

▶ **40.** There has also been a change in the form of debt in the heavily indebted poor countries (HIPC; see glossary). Private banks are no longer interested in them (unless, like Angola, they have immense natural resources). The governments of the North (bilateral debt) and the international financial institutions (multilateral debt held by the IMF, the World Bank, and its continental colleagues—the African Development Bank, the Inter-American Development Bank, and the Asian Development Bank) are the main lenders. Most debt payments made by the HIPC go to the international financial institutions. These indebted countries are obliged to devote an increasing share of the Official Development Assistance (ODA; see glossary) they receive to repaying their bilateral and multilateral debts. The crowning irony is that a portion of the loans granted by the International Development Association (IDA, a division of the World Bank) is immediately used to repay the International Bank for Reconstruction and Development (IBRD, the main division of the World Bank) and the IMF. The money from one till at the World Bank—ostensibly earmarked to improve the living conditions of people in debtor countries—returns to the World Bank via another till as external debt repayment. It is as if the money never leaves Washington, where the IDA, the IBRD, and the IMF all have their main offices (chapter 14). There is more: in 2000, the forty-two HIPC repaid $2.3 billion more than they received. Moreover, contrary to commitments made by the industrialized countries at the Rio Summit in 1992, ODA is plummeting (chapters 9 and 19).

▶ **41.** Facing heavy criticism from sections of the social movements of North and South, the World Bank decided to improve its image by granting loans for health, education, sanitation, and water purification projects. Increasingly, these loans, which only make up a small part of World Bank operations, go to local authorities and nongovernmental organizations (NGOs). In 1996, the World Bank and the IMF launched a program of debt reduction for the HIPC (42 of 180 periphery countries), which received a great deal of media coverage. The goal was to make debt servicing "sustainable" (chapter 11). Over five years, from 1996–2000, the amount of money actually deposited into the trust fund used to finance debt reduction by the IMF was less than the amount required to pay its 2,300 employees in the year 2000 alone. As another comparison, the amount spent by the IMF over five years to finance the debt reduction of all of the HIPC came to less than 2 percent of the sum it committed to bailing out the creditors of the Southeast Asian countries, Brazil, Argentina, and Russia over the same period. The World Bank disbursed less than its annual profits of about $1.5 billion. The total amount disbursed by all of the contributors to the HIPC Debt Initiative between 1996 and 2003 is equal to or less than the cost to the US Treasury of only one month of occupation in Iraq in 2003. Also, the money disbursed by the IMF and the World Bank comes back to them in the

form of repayments, for neither institution ever renounces a debt. The IMF and the World Bank are really pursuing two objectives: first, to ensure that indebted countries can maintain regular debt payments, and, second, to keep these countries under their control. In spite of the scandalous hypocrisy of the HIPC Debt Initiative, it garnered approval from some NGOs in the North and the South, the governments of the countries concerned, and the media. Yet, as noted by UNCTAD in 2000, the various measures have brought no worthwhile solution to problems of indebtedness and the drastic austerity imposed on the countries concerned: "Current expectations regarding the implementation of the enhanced HIPC Initiative are unrealistic. The scale of debt relief will prove insufficient to ensure debt sustainability in the medium term...moreover, the magnitude of debt relief, and its manner of delivery, will not have major direct effects on poverty reduction" (UNCTAD 2000c).

▶ **42.** Since 1997–98, the World Bank and the IMF have undergone the worse legitimacy crisis in their histories. Innumerable demonstrations of opposition have taken place, both in the countries that are subjected to their policies and in the industrialized countries of the North. Since 1999, powerful and radical counterdemonstrations have dogged every one of their two annual meetings (one in April, the other in September). The institutions are also riven by internal crises: the resignation in 1999–2000 of Joseph Stiglitz, senior vice president and chief economist of the World Bank, and Ravi Kanbur, director of the World Bank's annual *World Development Report*, both of whom wanted reform within the World Bank. Finally, in the United States, the majority of congressional Republicans and some Democrats have criticized these institutions severely (chapter 11). (See the report by the International Financial Institutions Advisory Commission, headed by Republican Allan Meltzer. The Meltzer Commission's conclusions were made public in February 2000.) The WTO has not escaped the crisis, with the foundering of the Millennium Round in Seattle in 1999, then, after the respite afforded by Doha in 2001, the debacle of the interministerial conference in Cancún in September 2003. Disagreements among the major trading powers (with the United States and the European Union in the fore) and between them and the countries of the periphery are at the root of the failure. Add to this widespread social protest and the antiglobalization movement, which has gone from strength to strength (chapter 20).

▶ **43.** In an attempt to counteract the effects of their legitimacy crisis while continuing with their project to implement more neoliberal measures, the Bretton Woods institutions in 1999 undertook an initiative known as the poverty reduction strategy. They ask the governments of HIPC that wish to obtain debt relief to draw up a Poverty Reduction Strategy Paper (PRSP; see glossary). The idea is to give a human face to structural adjustment by increasing health and education spending for the lower classes, and by implementing policies that target the very poor. However, under no circumstances may the paper evade the pursuit of structural adjustment measures: accelerating privatization of services (water, electricity, telecommunications, public transport); privatizing or shutting down public industrial companies; ending subsidies on basic products such as bread or other staples; increasing taxation of the poor through generalization of the value added tax (at a single rate of 18 percent in the West African Economic and Monetary Union); lifting tariff barriers (which places local producers in competition with MNCs); liberalizing capital inflow and outflow (which generally results in massive capital flight); privatizing land; and implementing cost-recovery policies in health and education. The IMF, the World Bank, and the Paris Club make acceptance of these policies by the HIPC a precondition for future debt reduction and fresh adjustment loans. Furthermore, the IMF estimates that approximately ninety countries will qualify for structural adjustment loans—renamed Poverty Reduction and Growth Facility (PRGF) since 1999. These policies are no more likely to succeed in reducing poverty than did their predecessors. The Bretton Woods institutions are like arsonists, lighting new social fires, then waiting for the NGOs and local communities to play firefighter (chapter 11).

▶ **44.** The acts and declarations of the Bretton Woods institutions over the last two years indicate that they do not intend to change course (chapter 18).

▶ **45.** Globalization in its present form increases environmental degradation, despite decisions made in the world summits held in Rio (1992) and Kyoto (1997) on the theme of environmental protection (chapters 1 and 9–11).

▶ **46.** From the start, the facts have systematically contradicted the basic tenets of liberal ideology; however, the economic and social crisis of the 1970s and 1980s opened the way for a forceful return of this ideology, entailing a global offensive of capital against labor (chapter 14). However, does it not seem that the neoliberal wave is reaching its limits?

▶ **47.** Alternatives are urgently needed with the guarantee of fundamental rights and the fulfillment of basic human needs as their starting point. These are the priorities for most of the world's population (chapter 19).

▶ **48.** To bring these alternatives into effect, the various social movements need to come together in a new internationalism and plan how to throw off the shackles of corporate-driven global finance (chapter 20).

1
Globalization and the neoliberal offensive

Deterioration in the living conditions of populations: Employment and wages

During the 1970s, the world economy began a long wave of slow growth. This stood in stark contrast to the nearly thirty years of rapid postwar economic growth immediately preceding it (Mandel 1975b, 1982, 1995; Husson 1996; Montes 1996; Went 1996).

This long, slow wave of growth is still unfurling. Businesses have seen their profits slump, the stock market bubble has burst, the myth of the "new economy" has collapsed, exchange rates are unstable, resounding bankruptcies abound. In the countries of the periphery, there has been a succession of economic and financial crises. The result of more than twenty years of neoliberalism is a fiasco in terms of growth and stability, let alone in terms of human and environmental consequences. A heavy increase in arms spending and military aggression added to that results in complete mayhem.

Since the beginning of the crisis in the 1970s, the world has experienced a series of major changes that have progressively eroded living conditions for a majority of the inhabitants of the planet. Mass unemployment has settled in, the unequal distribution of wealth has intensified, and workers' wages have fallen sharply. In addition, there are the disastrous consequences of closing the borders of industrialized countries to migrants, increasing recourse to violence in case of conflict, destroying the environment (the greenhouse effect, pollution, massive deforestation, etc.), and deregulating food production. Also, imperialist wars have reasserted themselves during the first years of the third millennium.

Mass unemployment

The industrialized capitalist countries

Considering only those countries that already belonged in 1993 to the Organization for Economic Cooperation and Development (OECD; see glos-