

# ***Concluding reflections from RLS Berlin meeting***

***“A common battle, south and north, against debt”***

***Conclusions for further research and for academic teaching; conclusions for political education and modern left/modern socialist politics***

## ***a. Neoclassical economics and the debt issue***

- critique of neoclassical economics, especially by marxists and post-keynesians – we need to generate common critiques about enemy’s:***
  - unrealistic assumptions,***
  - failure to incorporate eco-social factors,***
  - internal inconsistencies and***
  - failure to comprehend financial market crises and the causes in the real sector***
- alternative explanation from Marx: debt as part of the spatio-temporal fix – a displacement of capitalist crisis – that itself has extreme contradictions, fusing power and vulnerability***

## *David Harvey on debt and uneven development*

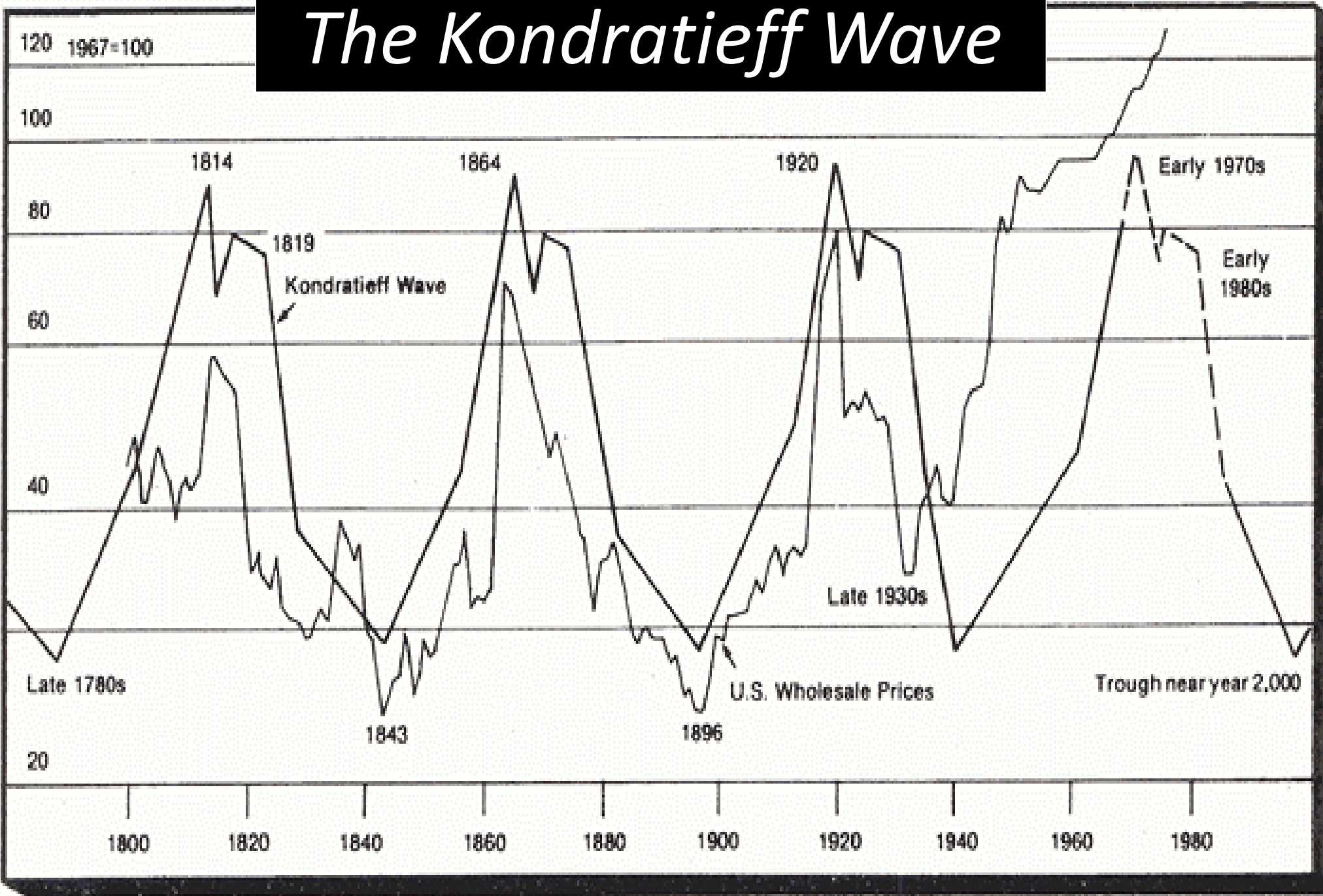
*...a territory is lent or donated the money with which to buy back the surplus commodities generated at home... credit transactions of this sort can **alleviate problems of overaccumulation** at least in the short term. They function very well under conditions of uneven geographical development in which surpluses available in one territory are matched by lack of supply elsewhere.*

*But **resort to the credit system simultaneously makes territories vulnerable to flows of speculative and fictitious capitals that can both stimulate and undermine capitalist development** and even, as in recent years, be used to impose **savage devaluations upon vulnerable territories.***

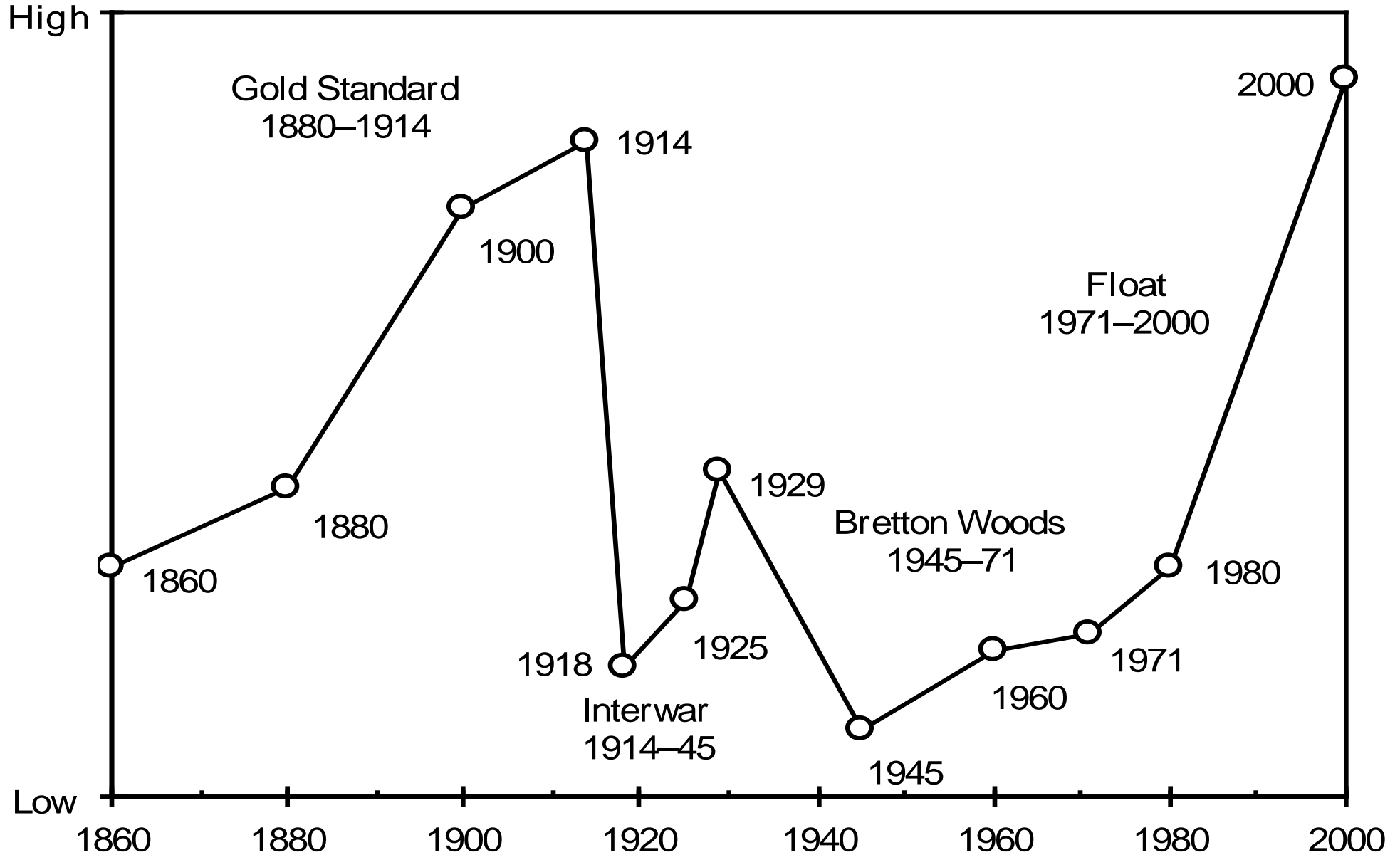
# Christian Suter's rising 'debt cycles'

- *At the upswing of a Kondratieff cycle, as basic technological innovations are introduced in a labour-intensive and unstandardised manner, both the **demand for and supply of external financing are typically low**, and in any case the **residue of financial crisis in the previous long-cycle** does not permit rapid expansion of credit or other financial assets into high-risk investments.*
- *As innovations gradually spread, however, peripheral geographical areas become more tightly integrated into the world economy, supported by international financial networks. As the power of innovation-led growth subsides, and as the consumer markets of the advanced capitalist countries become saturated, **profit rates decline in the core**.*
- *This pushes waves of financial capital into peripheral areas, where instead of achieving balanced accumulation and growth, low returns on investment plus a variety of other political and economic constraints **inexorably lead to default**.*
- *In sum, at the global scale there is a three-stage process characterised by, as Suter (1992, 41) puts it, “first, **intense core capital exports and corresponding booms in credit raising activity of peripheries**; second, the occurrence of **debt service incapacity among peripheral countries**; and third, the **negotiation of debt settlement agreements between debtors and creditors**.”*

# *The Kondratieff Wave*

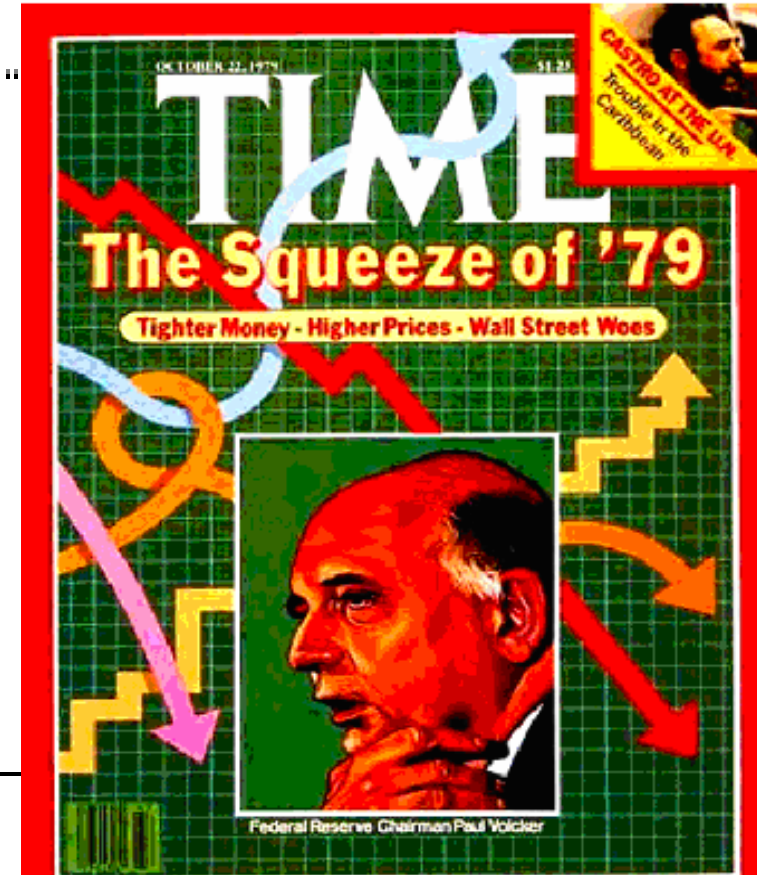
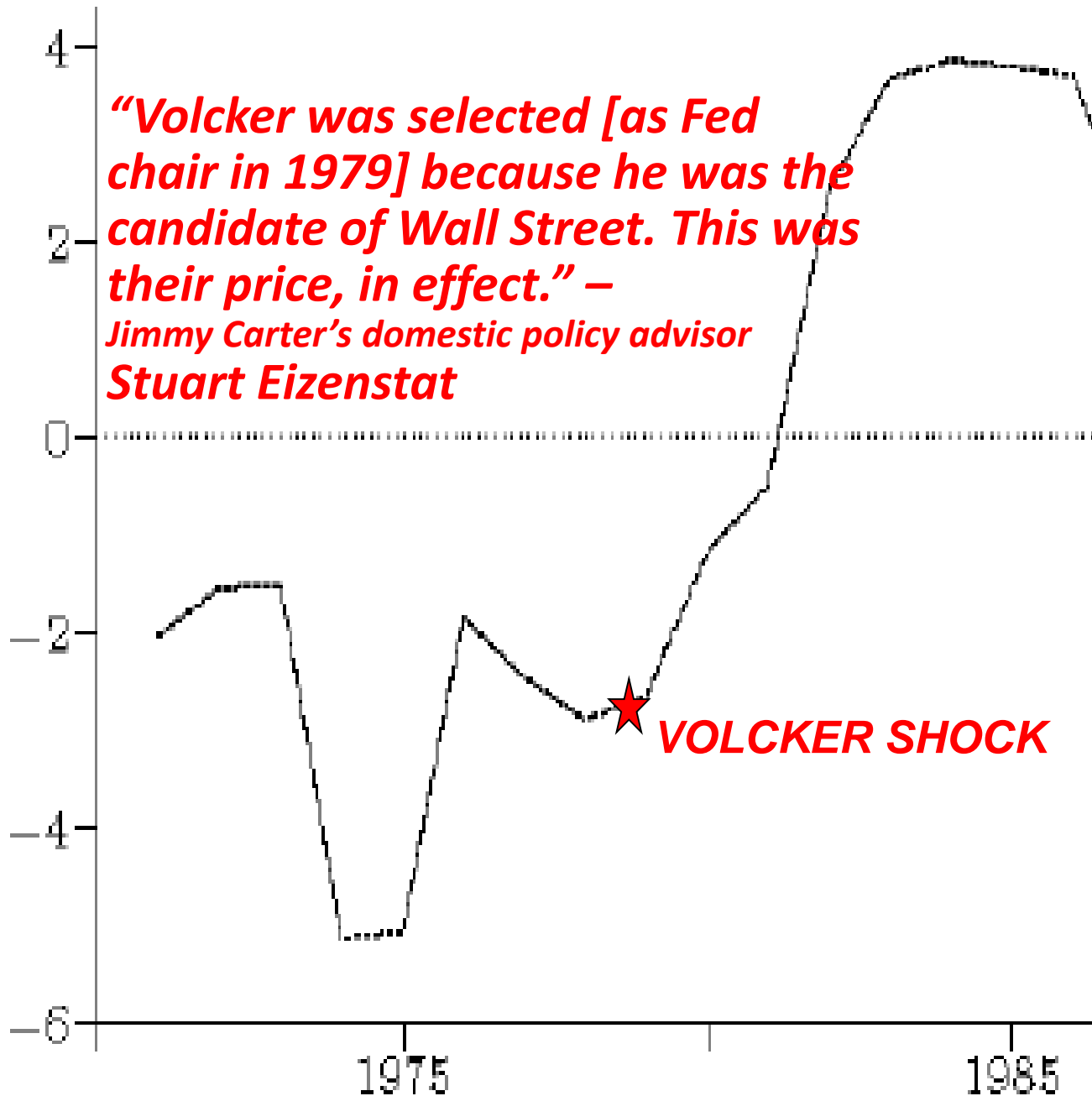


# *degree of international financial integration*

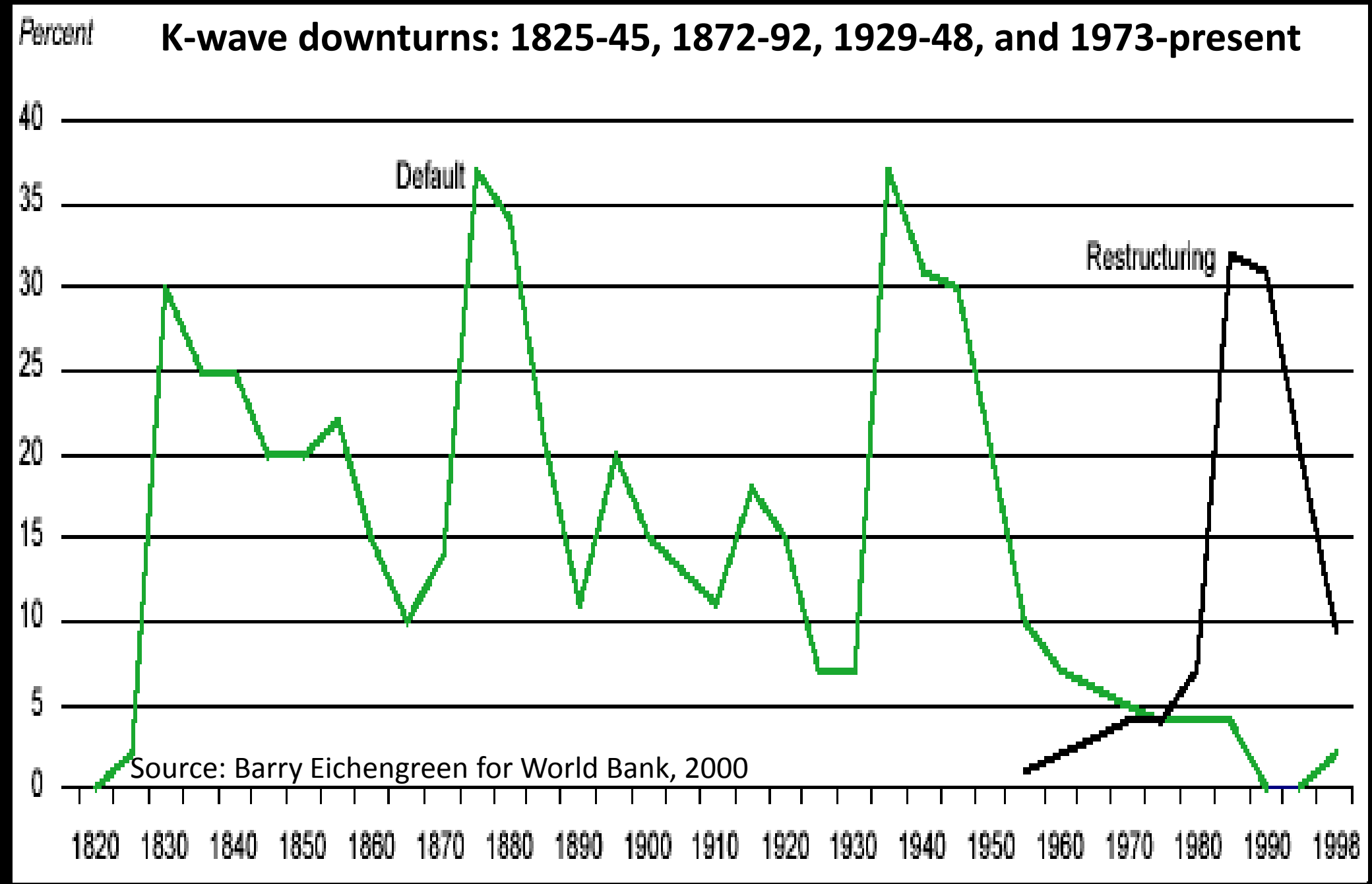


# real interest rate rise with Volcker as Federal Reserve chair

*“Volcker was selected [as Fed chair in 1979] because he was the candidate of Wall Street. This was their price, in effect.” – Jimmy Carter’s domestic policy advisor Stuart Eizenstat*



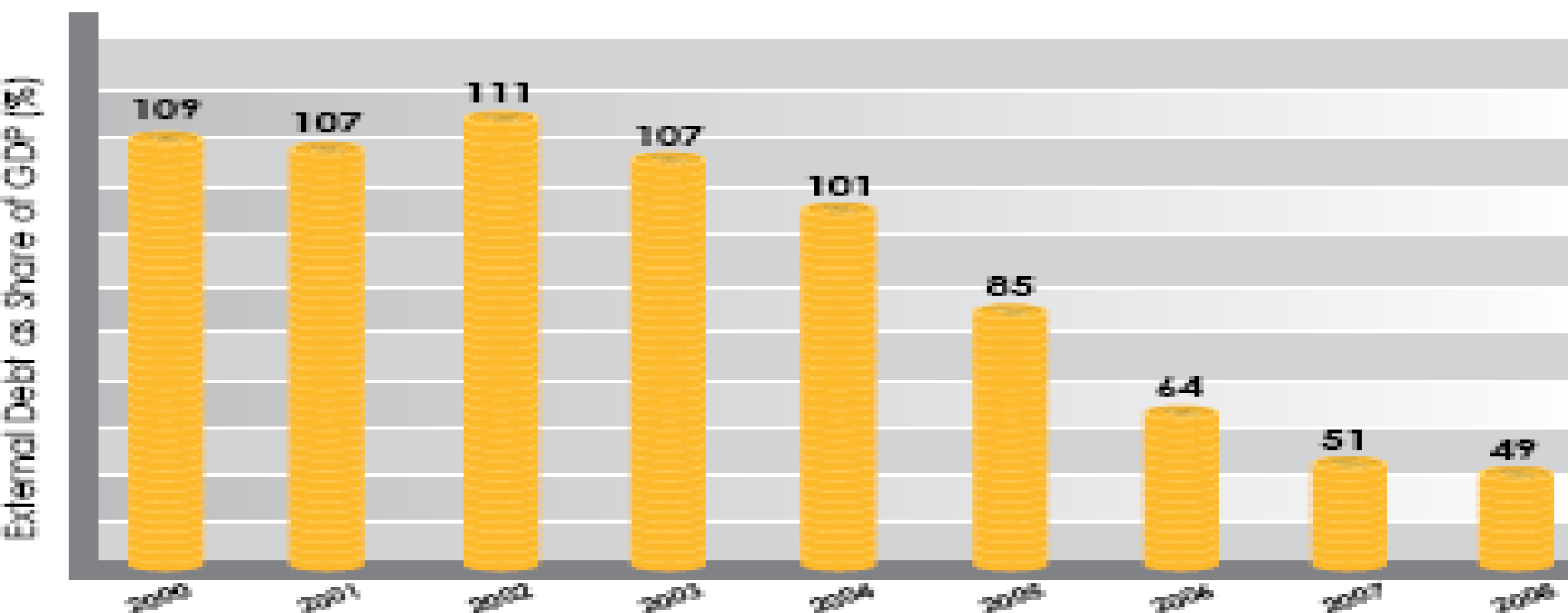
# *sovereign debt defaults, 1820-1999: percent of national states*



# will debt relief help? stock has gone down

Source: Africa Progress Panel, May 2010

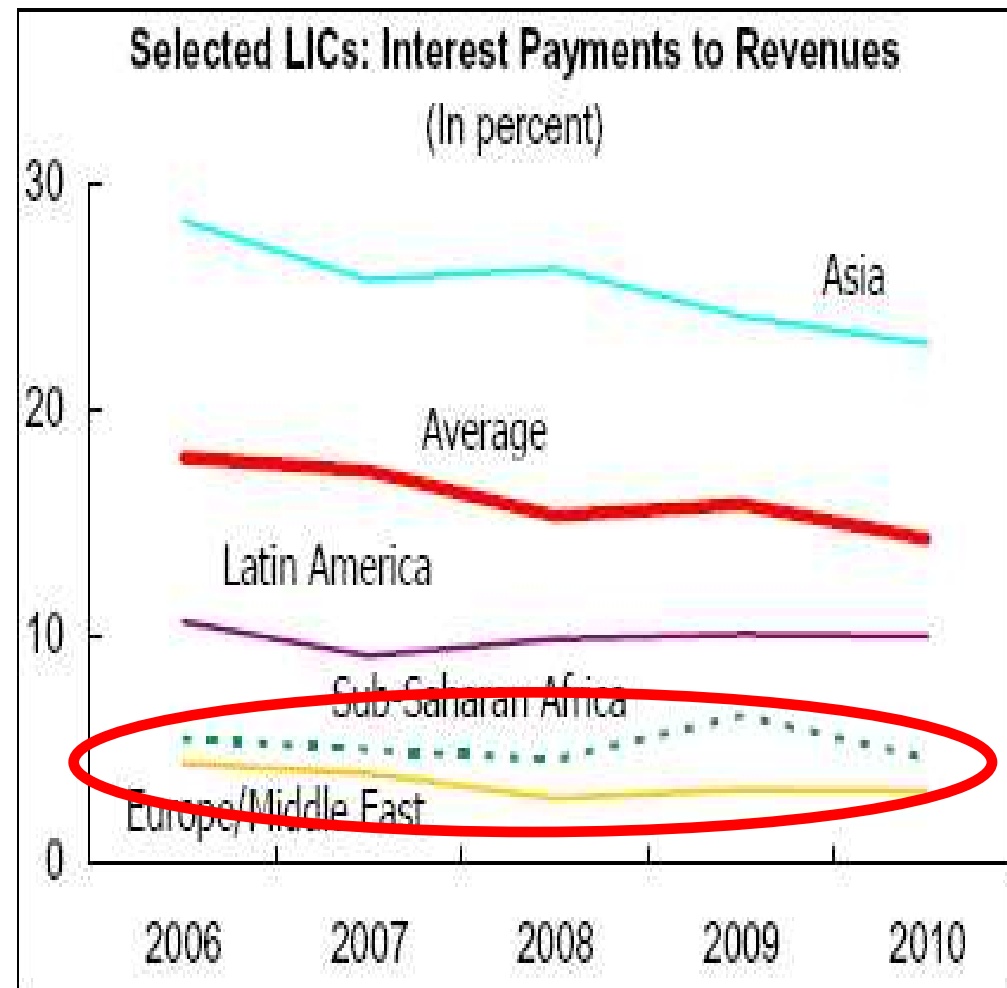
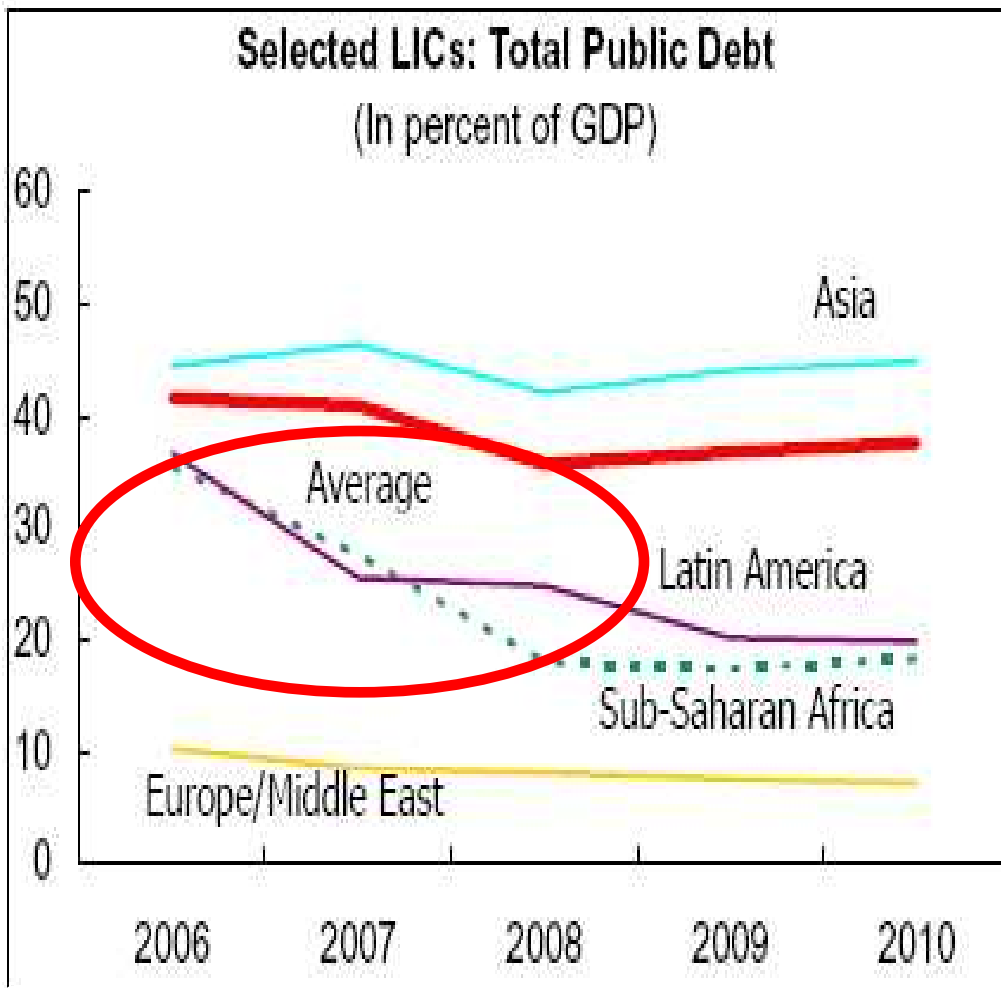
## External Debt as a share of GDP



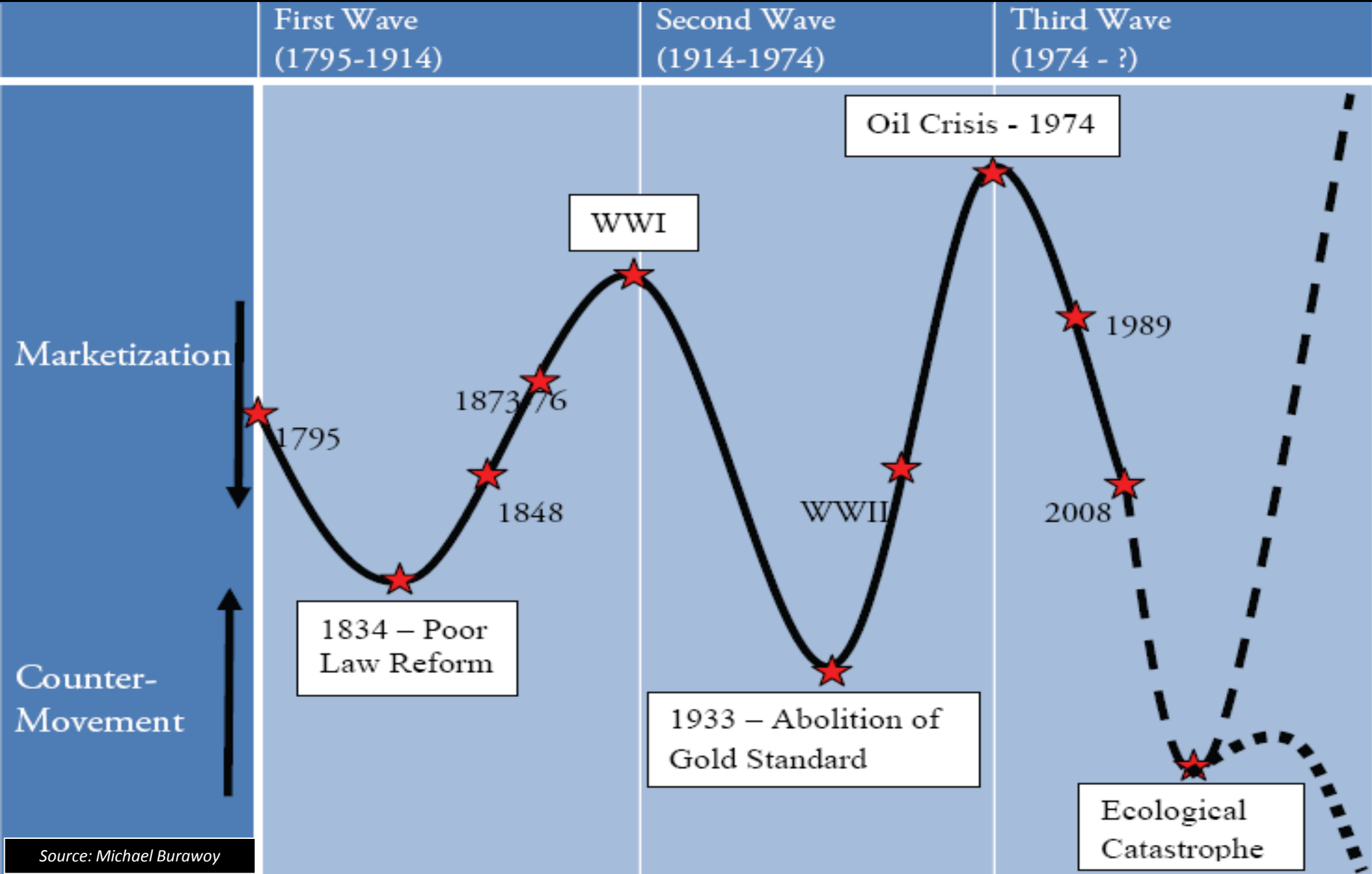
Source: AfDB, Debt Relief Initiatives, Development Assistance and Service Delivery in Africa (2009)



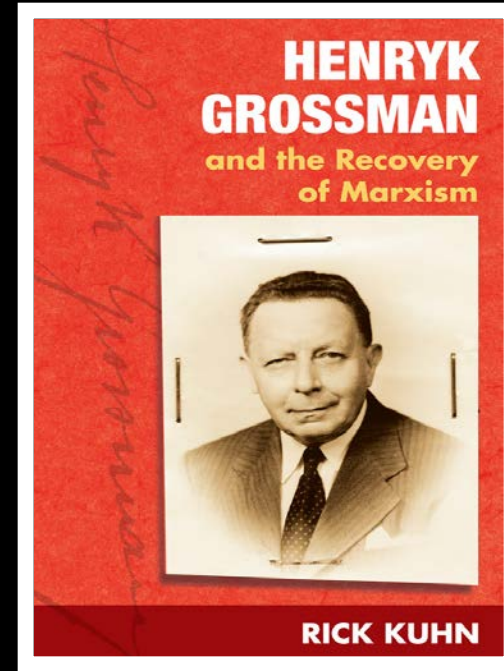
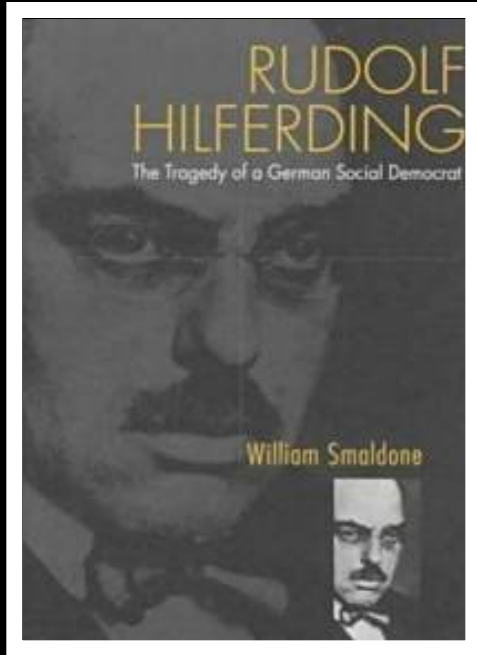
... yet 2005 debt relief *did not* lower  
Africa's repayment/export ratio:  
only *unrepayable* debt was written off



# waves of commodification and *de*commodification



# Hilferding's (1910) 'finance capital' and (or?) Grossman's (1929) breakdown



“the increasingly dense network of relations between the banks and industry... Would finally result in a single bank or a group of banks establishing control over the entire money capital. Such a ‘central bank’ would then exercise control over social production as a whole.” – *Finanz Kapital*

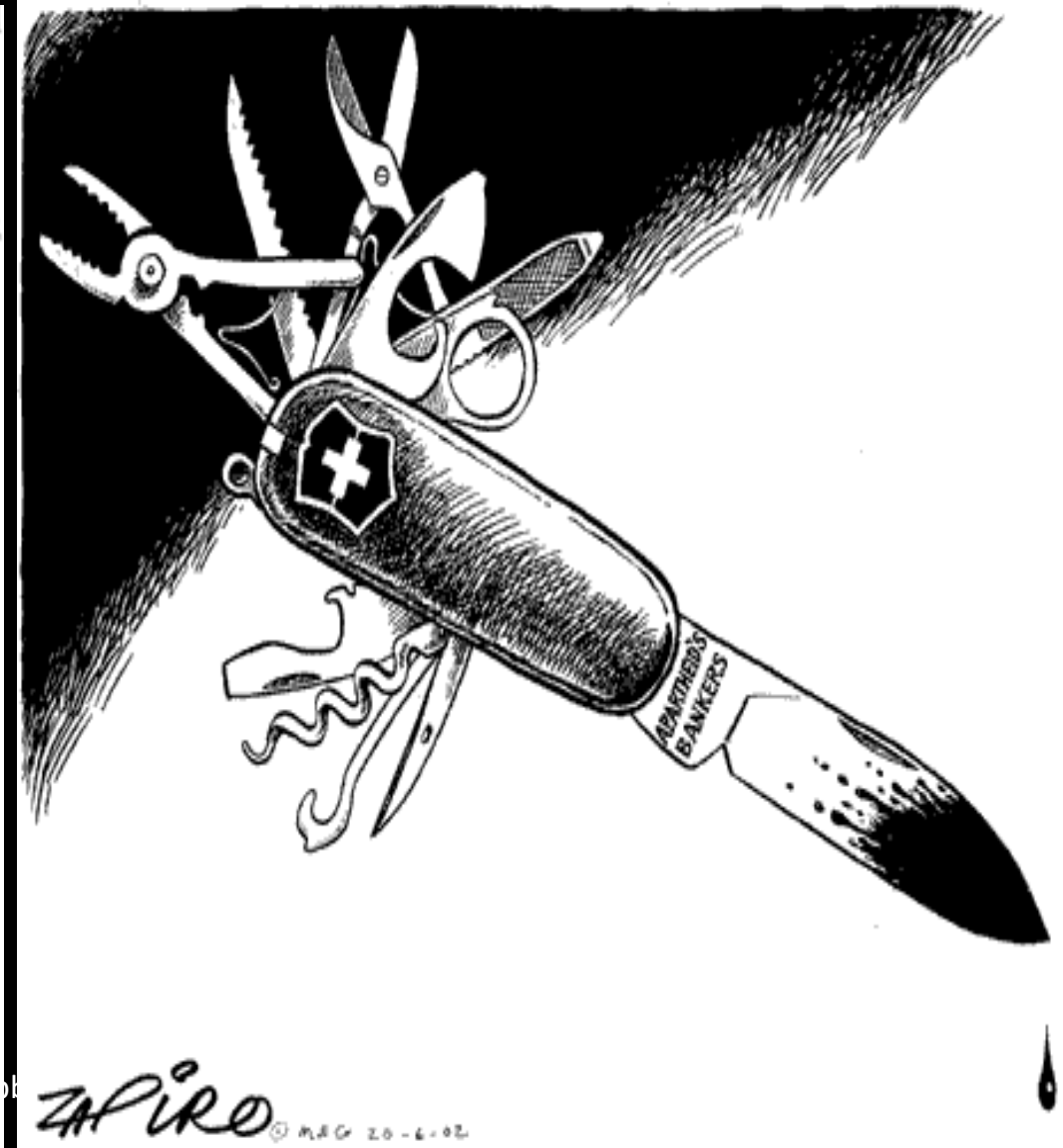
“Hilferding needed this construction of a ‘central bank’ to ensure some painless, peaceful road to socialism, to his ‘regulated’ economy.” - *The Law of Accumulation and Breakdown of the Capitalist System*

## *more political musings:*

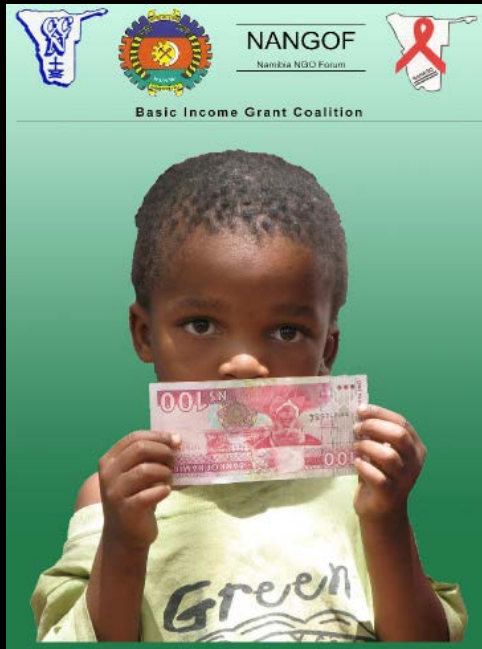
- *'legitimate debt' or not... international network of debt audits, CADTM, Jubilee South ...*
- *stocktaking of Ecuador, Argentina... Brazil, Greece, Ireland, Egypt*
- *practical power: El Barzon in Mexico, South African bond boycotts, anti-apartheid sanctions*
- *the challenge of ecological debt*

# Reparations and debt

## Jubilee SA and apartheid victims groups



# **Basic Income Grant (BIG) pilot in Otjivero, Namibia (funded by German-Namibian Evangelical Lutheran church)**



*Council of Churches of Namibia (CCN), the National Union of Namibian Workers (NUNW), the umbrella body of the NGOs (NANGOF), the umbrella body of the AIDS organisations (NANASO), the National Youth Service (NYC), the Church Alliance for Orphans (CAFO), the Legal Assistance Centre (LAC) and the Labour Resource and Research Institute (LaRRI)*

The results after one year of implementation have been remarkable.

- Before the pilot program, 42 percent of children in the village were malnourished. Now the proportion of malnourished children has dropped significantly, to 10 percent.
- The village school reported higher attendance rates and that the children were better fed and more attentive.
- Police statistics showed a 36.5 percent drop in crime since the introduction of the grants.
- Poverty rates declined from 86 percent to 68 percent (97 percent to 43 percent when controlled for migration).
- Unemployment dropped as well, from 60 percent to 45 percent, and there was a 29 percent increase in average earned income, excluding the basic income grant.

Carnegie Council:

<http://www.policyinnovations.org/ideas/briefings/data/000163>

*economic resistance from below?*



# *2011-12: Arab Spring, 'Indignados' of Spain, Greeks and Italians, Occupy in the US and Europe, Nigeria Occupy, Senegal, etc*

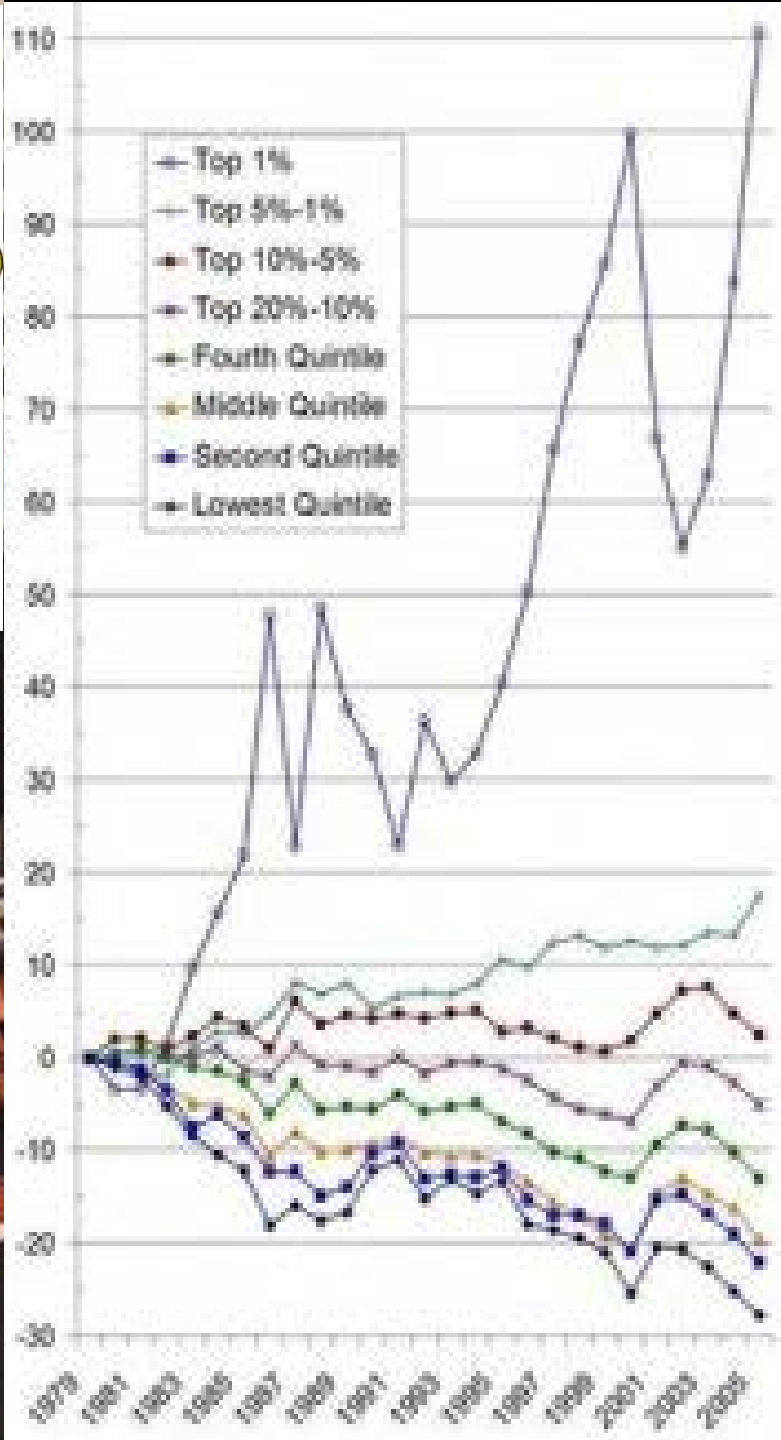




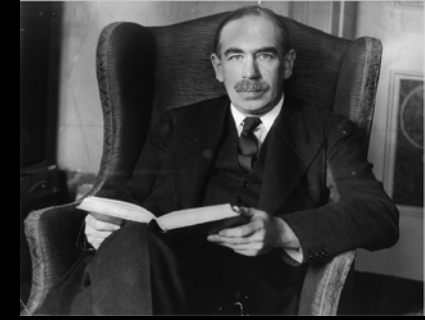
# AVERAGE HOUSEHOLD INCOME before taxes



2007 dollars. Source: Congressional Budget Office



# 'globalisation of people, deglobalisation of capital'



*I sympathise with those who would minimise, rather than with those who would maximise, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But let **goods be homespun whenever it is reasonably and conveniently possible and, above all, let finance be primarily national.***

-John Maynard Keynes (1933), 'National Self-Sufficiency,' *Yale Review*