World Economic Forum summit discussions: an expression of deep-going political shifts

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In his famous preface to *The Critique of Political Economy,* Marx explained the law-governed character of social revolutions as follows:

"At a certain stage of development," he wrote, "the material productive forces of society come into conflict with the existing relations of production... From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution."

In setting out the objective foundations of this process, Marx by no means implied that the overthrow of the old order was carried out spontaneously or automatically.

On the contrary, as he went on to explain, it was necessary to "distinguish between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, artistic or philosophical—in short, ideological forms in which men become conscious of this conflict and fight it out."

In other words, a revolutionary epoch does not announce its arrival with the eruption of great political battles—that takes place at a later stage in the process.

Rather, the onset of a new era of social revolution is marked initially by vast changes in production processes and forms of economic organisation, which then begin to raise new and complex questions about the development of society as a whole.

Large sections of the population become alienated from and even hostile to the turmoil which the economic transformations are bringing to their lives, while the ruling elites are confounded by the fact that the social and political foundations upon which they have rested are shifting beneath their feet.

These processes were very much in evidence, both inside and outside the conference hall, at the Asia-Pacific summit of the World Economic Forum (WEF) held at Melbourne's Crown Casino from September 11-13.

The protests outside the building were not particularly large, numbering about 15,000 at the most. But they reflected the concerns of much wider sections of the population about the increasing dominance of vast transnational corporations over all aspects of society, the impoverishment of billions of people around the world and the sweeping changes in economic and social conditions being wrought by global capitalism.

And inside the forum, the conference participants, drawn from major transnational corporations, economic think tanks and governments, voiced their fears that the transformation of the global economy was throwing up economic and political problems for which they had no real answers.

The remarks of Goldman Sachs Asia vice president, Kenneth Courtis, one of the more astute observers of the international economy, on the first day, set the tone for much of what was to follow.

Globalisation, Courtis told the meeting, was an "irresistible force" being led by fast moving technological change.

"This revolution is as big as the revolution which shook the world in 1890 to 1920."

Courtis did not develop his remarks on this earlier period—sometimes referred to as the first phase of economic globalisation—and the vast upheavals it produced, including the growth of a socialist movement of the working class, World War I, the Russian Revolution of 1917 and the revolutionary struggles in Europe in the early 1920s. But he did make clear that the processes now underway had far-reaching social and political consequences.

"The implosion of the ideologies of industrialism over the last 10 or 12 years, the breaking up, the fracturing of social identities with this great change that's afoot, leads many to feel anxiety, insecurity, confusion, and that concern is genuine, and that's the centre of the debate inside and around this building ...

"It's been too simple in the 1990s to say 'It's the market stupid'; that's not enough. There's more than the market. There are broader questions also that have to be brought into this debate."

Interviewed on the Australian Broadcasting Corporation television program *Lateline*, Courtis said there was a lot of anxiety about technological change, the global integration of economies and "about the great revolution that we're into now". The task of leadership was to "actually represent the future to the present and help people who feel that anxiety understand how they can move ahead and have a better future."

Courtis also elaborated on the mounting problems of the world's second largest economy, Japan, and the political consequences they could produce.

Japan, he said, was being crushed under a "Himalaya of debt". A decade ago government debt was about 50 percent of Gross National Product.

"Two years out it will be about 150 percent of GNP and that's only what's on the balance sheet. There are other commitments the government has made which are probably double that. So you're looking at a government debt load broadly defined as 280-290-300 percent of GNP. Plus Japanese companies and banks also have a very weak financial position..."

He pointed out that over the past two years the Japanese government had spent $1.4 trillion—equivalent to five times the Australian economy—in an attempt to revive the economy but had produced a growth rate of only 2 percent.

Asked about the impact of the debt mountain on the average Japanese family, "Mr and Mrs Suzuki," Courtis said the future was "something quite sombre."

"I think Mr and Mrs Suzuki are going to see their pension dramatically reduced, they're going to see their life insurance entitlements neutered, health care cut back dramatically, house values, which have fallen by 60-70 percent over the last decade, probably not going to go up any time soon and the children, who they've worked hard to get into universities and get a good education for, they are not going to get the jobs they thought they would coming out of university.

"Mr and Mrs Suzuki are going to start saying we've sacrificed three to four decades for what? For this? In a sense, never has so much been lost of so many people's money by so few through the mismanagement of this economy in the last decade."

The former vice-president of the World Bank Joseph Stiglitz, who resigned earlier this year and then issued a stinging indictment of International Monetary Fund policies during the Asian financial crisis, solidarised himself with some of the concerns expressed by the protestors outside the forum.

"We need to remember that markets, liberalisation, privatisation, all these key words, are not ends in themselves, they're means to an end; the ends are improving living standards, not only of the few, but of the many," he told the meeting.

"And that unless there is a widespread view that the benefits of globalisation are extended broadly, that there is concern about the environment and democratic processes, there is a danger of a backlash."

Australian Prime Minister John Howard said the "greatest challenge" for governments at this "pivotal point in the development of the world economy" was to communicate the benefits of globalisation to their citizens.

It was not enough for anyone in government or business, he said, to simply explain that present difficulties are for the long-term good of the community.

"The goal of economic reform is human contentment and human achievement and human happiness. And if economic reform does not deliver the benefits for people, then it's not worth embracing."

Governments as well as business had to recognise that measures had to be put in place to ensure that "the difficulties of adjustment are eased" and that without such measures "the future of globalisation, as we know it, as we desire it, could well be cast in doubt."

But even as Howard was speaking, global financial markets were delivering their response to government intervention, sending the Australian dollar down the record lows—a plunge widely attributed to government regulation of the Australian telecommunications industry to protect local media monopolies which has inhibited the inflow of international investment capital.

Peter Costello, the Treasurer in Howard's government, delivered a warning about upbeat comments on the economic recovery in Asia.

"Let's not get too euphoric. Let's ask ourselves the questions: How much has changed since 1997? Is there any difference in the international financial architecture from what prevailed in 1997?"

Programs to improve financial transparency, corporate governance and debt reduction were hard to find.

Costello said that if international policy makers thought they could ignore public opinion on the impact of globalisation "they are making a large mistake" and reminded the conference that while there was talk of the "benefits of an open trading system, we must remember that the last opportunity to put across some detail of that was in Seattle [at the meeting of the World Trade Organisation last November] and it was a failure."

The relationship between the deliberations inside the conference and the protests outside was taken up in the editorial published in the *Sydney Morning Herald* on September 12. The view of the protestors, it began, could not be "glibly dismissed."

"One of the points at issue in the Melbourne confrontation—possibly the most important point—is the supranational dimension. It is one of the themes repeatedly taken up by those organising the demonstrations outside the casino. And for good reason—it strikes a chord with a very wide audience.

Citing statistics which show that the world's three richest men own assets equivalent to the incomes of 600 million people in 48 countries and that 500 corporations control 70 per cent of the world's trade and 80 percent of its foreign investment, the editorial continued:

"This picture of power centralised can be criticised as simplistic and misleading. But it strikes a chord with people, especially people in strong and well-ordered democracies, where there appears to be powers beyond the reach of people, through governments, to control or curb if necessary. This is possibly the single most important factor driving protests in Europe, North America and now Australia."

The obvious question as to how a society could be considered to have a "strong" democracy if masses of people felt themselves to be, and were in fact, dominated by forces over which they have no control did not seem to have occurred to the editorial writers.

One of the sharpest warnings about possible political developments came from Andersen Consulting's international chairman, Vernon Ellis, who led summit discussions on the "digital divide." Deep problems, including wars, could erupt from a backlash against globalisation, he said.

"And there will be a huge backlash if some corrections are not applied" because the forces of the "liberal market economy", based on free trade and shareholder value, "are having unintended consequences of widening income inequalities in heath and education."

"There are increasing divides between countries that are probably going to lead to wars and deep problems.

"I think there is a true and genuine awareness that unless social impact issues are addressed satisfactorily and attention is given to safety nets and the undesirable side-effects of globalisation we'll be storing up problems for the future."

Ellis said that at the most recent meeting of the WEF council, of which he is a member, there was a "very widespread feeling that the agenda of entrepreneurship within a social context is the right approach."

These remarks, however, rather than providing a solution, point to the irreconcilable contradictions confronting the corporate and political leaders of global capitalism.

The reconciliation of a global economic system based on "free trade and shareholder value" with social needs is equivalent to squaring the circle.

The increase in shareholder value—the accumulation of capital driven on by the competitive struggle in international markets—is based on the extraction of surplus value from the labour of the international working class and its appropriation in the form of private profit. The provision of so-called "safety nets", however, requires, in the final analysis, a deduction from the surplus value available to capital.

This means that whatever lipservice they pay to social concerns, governments are forced by the pressure of international markets, reflecting the struggle of global capital for profit, to provide competitive conditions for capital accumulation or risk their nations being isolated from international capital flows.

This is why none of the participants in the WEF summit, while being well aware of the increasingly inflammable political situation arising from economic globalisation was able to provide any means for reconciling the dictates of the market with social needs.

And the fact that they arrived at this impasse is a sure sign, as Marx explained, that the global productive forces, driven forward by vast technological changes, have come into conflict with a system of social relations based on the accumulation of profit.