



# Rich world economics

**Profit is  
replacing the  
concept of "for  
the good of the  
people."**

BY MICHELLE ZURBRIGG

According to Michel Chossudovsky, author and economic guru, the world is suffering "a process of impoverishment unprecedented in modern history".

Since 1990, we have witnessed the collapse of Eastern Europe, the former Soviet Union, the Balkan and Asian countries. The irony is that their demise has not come through scarcity of resources but through the scourge of financial speculation, decries this scholar.

Chossudovsky explains that under "structural adjustment programs" imposed by foreign creditors in the early 1980s, the economies of Latin America, Africa and some Asian countries collapsed. Domestic agriculture and manufacturing was displaced by forced imports. These "reforms" furthered their indebtedness.

As private banks turn away, the International Monetary Fund (IMF) loans funds to increasingly-desperate nations. The hitch is that governments are forced to adopt IMF policies. The IMF orders currency devaluation. When prices subsequently rise, the IMF prevents the nation from increasing wages so citizens can afford the higher cost of living.

The IMF also dictates a cut-back on government services such as roads, sewers, water supply infrastructure, education and health care.

Currency devaluation is combined with opening markets to international trade and abolishing price controls, for example, of fuel and foodstuffs. This "dollarization" of prices brings goods up to world market costs.

Unfortunately, Third World and Eastern Europe wages stay as much as 70 times lower than rich countries, according to Chossudovsky.

Betty Peterson, an activist with Voice of Women, wants to understand the motivation. She wonders whether it's all for money and power, or whether there are other factors.

Chossudovsky says a destroyed peasant economy provides an ideal "location for dumping a commodity" like food surpluses.

The "Asian Crisis" seems pretty mystifying, but it may prove Chossudovsky's point. He says the economies were simply shattered by currency speculation.

Instead of investors putting money into real investments, virtual money is traded back and forth across computer screens around the world — exchanged from currencies to currencies, making money but not making any "thing" (Chossudovsky maintains that 90 percent of financial transactions in Canada are speculative). It's a risky

business, this trade in nothing.

In the Asian case, it led to the destruction of central banks when their reserves were used up in a futile attempt to stabilize currencies.

Asia is left with huge debt-servicing obligations and a lot of valueless paper money.

Now Brazil's imminent collapse is on the horizon. Other Latin American countries will likely follow.

According to Chossudovsky, "the speculators and lethal reforms imposed by the IMF and World Bank are the key problem" in the world economy today.

Their main tool is the dogma of austerity, and many say we are being brought down with it.

The Canadian version of "structural adjustment" began with finance minister Paul Martin's onslaught in the 1995 budget. Federal funds were cut ruthlessly, including transfers to provinces. Our education and health receives less funding while state assets become privatized. Profit is replacing the concept of "for the good of the people."

Last year the MAI planned to provide corporations with a bill of rights, however, it was quashed.

Nevertheless, Chossudovsky claims we have a *de facto* MAI in place in approximately 90 countries through the market "reforms" imposed by the IMF, World Bank, Free Trade agreements and the World Trade Organization (WTO).

Dr. Mike Bradfield of the Dalhousie Economics Department also speaks out against the growing sovereignty of corporations over civil society.

He says corporations only exist because states have given them this right.

"[Corporations] must produce goods for the good of the public," says Bradfield.

Instead of a corporate constitution, like the MAI, we must and can demand that a "Bill of Responsibilities" be applied to corporations.

When corporations originally came into being, their charters were designated for limited periods of time. Antoni Wysocki, with NSPIRG, says that "revoking corporate charters is a limited-known legal possibility".

And Chossudovsky wants speculation to be abolished.

The world's economic power brokers were raked over the coals for the MAI. Perhaps the IMF and corporations will soon be as well.

*Michel Chossudovsky is Professor of Economics at the University of Ottawa. He spoke at the Dalhousie SUB on January 14th. He is the author of The Globalization of Poverty: Impacts of IMF and World Bank Reforms. (Fernwood Publishing, 1997).*