

Poverty Extended

Disruptive policies of international money managers

Book Review by Ted Wheelwright

Not many books distill their essence in the first few pages — this one does. There is a strong case for publishing the first dozen pages as a pamphlet for the edification of future students, some of whom will have to clean up the mess created by global capitalism. In these pages Chossudovsky, who is Professor of Economics at the University of Ottawa, tells us in clear, concise language that “the present crisis is far more complex than that of the interwar period, its social consequences and geo-political implications are far-reaching (p.15).”

What has emerged is “a new interventionist framework,” leading to the dismantling of state institutions, the tearing down of economic borders, and the impoverishment of millions of people.” The International Monetary Fund, the World Bank, and the World Trade Organization are in effect “regulatory bodies” responding to dominant economic and financial interests. This new “international bureaucracy is increasingly able to supervise national economies through the deliberate manipulation of market forces (p.16).”

International corporations can only expand by undermining the domestic productive base of developing countries. “Emerging markets” are opened up for the global corporation by the fragmentation and destruction of the domestic economy, credit is deregulated, and state property and land are taken over by international capital. “Large capital destroys small capital in all its forms (p.17).”

A new global financial environment has developed as corporate mergers paved the way for a new generation of “money managers,” removed from entrepreneurial functions in the real economy. Their activities include speculative transactions of all kinds. The daily turnover of foreign exchange transactions exceeds

one trillion dollars per day, of which only 15 percent corresponds to actual trade and capital flows. Criminal Mafiosi have expanded their role in international banking.

The author considers that “the global financial system has reached a dangerous crossroads: at the very heart of the economic crisis are the markets for public debt where hundreds of billions of dollars of government bonds and treasury bills are transacted on a daily basis (p.21).” Since the early 1980s large amounts of the debt of large corporations have been transformed into public debt. This process of debt conversion is a central feature of the crisis, and has triggered the development of a highly regressive tax system.

New banking technologies have spurred the flight of profits to offshore banking havens. A British colony in the Caribbean, the Cayman Islands, is now the fifth largest banking center in the world, in terms of deposits, most of which are by Shell corporations.

Central banks have been modified to meet the demands of financial markets, which means that national treasuries are “increasingly at the mercy of private commercial creditors (p.23).” Hence monetary policy no longer exists as a means of state intervention. Consequently, “powerful financial actors have the ability not only of creating and moving money without impediment, but also of manipulating interest rates and precipitating the decline of major currencies (p.24).” The supply of money, which regulates the mobilization of human and material resources, the author informs us, is now in the hands of private creditors, who can act to paralyze entire economies, as has happened in the USSR since 1992.

The links between the financial establishment in the U.S. and top echelons in the Treasury are documented:

“While financiers are involved in politics, politicians have increasingly acquired a financial stake in

**The Globalization
of Poverty:
Impacts of IMF
and World Bank
Reforms**

by *Michel Chossudovsky*
London and New York: Zed Books
256 pages, price \$59.95



the business community (p.25).” Consequently, it is argued that in the West the state system is in crisis as a result of “its ambivalent relationship to private economic and financial concerns (p.25),” and the practice of democracy has become a ritual. The global market system marks the demise of the “national economy,” and is very difficult to reform. Hence, the globalization of the struggle is fundamental, “requiring a degree of solidarity and internationalism unprecedented in world history (p.27).”

These central arguments are set out in the first third of the book, the remainder is taken up with a detailed analysis of concrete cases in Africa, Southeast Asia, Latin America, and the former Soviet Union. This provides an ideal blend of theory and practice. As Noam Chomsky remarks on the back cover: “The u n d e r s t a n d i n g that his inquiry provides is an important step toward the dedicated struggle that will be needed to reverse these developments.”