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# Welcome to the era of financialisation!

Global recycling of wealth to the US, transfer of property rights from the many to the few...

By Zunaid Moolla

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*In his presentation to the Ben Turok Memorial Lecture, the guest speaker, former Greek Finance Minister Yanis Varoufakis, delivered a broad account of the crisis-ridden world economy post the 2008 crash. ZUNAID MOOLLA reports on Varoufakis's warnings about the impact of austerity measures, global recycling of wealth from other countries to the US and the transfer of property rights from the many to the few.*

Two events in the financial sector that had catastrophic consequences for the world economy were the crash of the stock market in 1929 and the sub-prime mortgage crisis in 2008. What both crises had in common was the collapse of financial systems (with a steep drop

in the value of shares; widespread bankruptcies of businesses, banks, investment houses and individuals; and a halt in the circulation of money).

But what was different about the two crises? In 1929, banks were allowed to go bankrupt; in 2008, billions of dollars and euros were pumped into the system to keep banks afloat. Why?

This was one of several hard-hitting questions raised by Professor Yanis Varoufakis, the former Finance Minister of Greece, in his online presentation to the second annual Ben Turok Memorial Lecture on November 30<sup>th</sup>. More than 100 people attended the lecture at Bertha House in Mowbray, Cape Town and dozens more joined online.

The lecture was hosted by the Institute for African Alternatives (IFAA) in partnership with the University of the Western Cape's Institute for Social Democracy, the Rosa Luxemburg Foundation, Progressive International, Surplus Radical Books and Common Propaganda. The annual event pays tribute to Professor Turok who passed away on 9 December 2019 after a lifetime of fighting apartheid oppression. It is

aimed at keeping alive Turok's legacy, based on economic justice, socio-economic rights, redistribution and political transformation.

In his lecture, titled *Africa in the face of the New Cold War and the West's New Colonial Escapade*, Prof Varoufakis elaborated on the consequences of austerity measures and the role they play in bringing about "the new cold war".

In 2015, at the peak of Greece's post-2008 financial woes, Varoufakis took a principled stand against the bailout offered by the IMF, the European Central Bank and the European Commission which imposed brutal austerity measures on his country. He resigned after six months as Minister of Finance and three years later returned to politics with the launch of his own party, MeRA25, which he described at its launch as an alliance of "people of the left and liberalism, greens and feminists".

Prof Varoufakis started his lecture with a critical analysis of austerity, the favourite policy tool of neo-liberal economics. He pointed out that when governments introduce austerity, they do so on the pretext that they

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**... instead of people serving an empire of machines and money, let machines and money become the servants of our people.**

have to curb expenditure in order to contain the deficit. What they don't acknowledge is that the loss resulting from the destruction of livelihoods is often greater than any lowering of the deficit. By cutting public expenditure, Prof Varoufakis said, government expenditure will go down but, at the same time, national income will shrink. Tax revenue will shrink faster than government expenditure so the deficit continues to increase. For this reason, “austerity is bound to be self-defeating”.

He illustrates this with what happened to Greece in the financial crisis of 2008. The Structural Adjustment Programme (SAP) imposed on Greece, which was tougher than anything imposed on Africa by the World Bank, resulted in a 28% fall in its GDP. Other countries where austerity has been introduced such as Britain and Sri Lanka show the same outcomes.

Varoufakis sees the destruction of the commons and the wholesale transfer of assets – such as water, ports and airports – as fiscal war against the weakest members of society, which he describes as “a form of colonialism”. The whole idea is to make debt unpayable because it is a weapon that allows the transnational oligarchy to get their hands on public and private assets. The impact of austerity is the spread of



*Director of IFAA, Zunaïd Moolla, opened proceedings, Photo by Sedick van der Schyff*

right-wing ideologies and fascism from the Global South to the Global North. The popularity of political leaders like Trump in the USA and other right-wing politicians in Europe is the result of people who feel humiliated and deprived of “the good life.”

The dollars earned by countries from their exports flow back to the USA where they are invested in financial markets and not in industries. For Prof Varoufakis, these net exports of money to the USA is the new colonialism – the global recycling of wealth from other countries and the transfer of property rights from the many to the few. This is also financialisation in action.

Are there solutions? For Prof Varoufakis there are two tasks that we must undertake: firstly, to re-create the non-aligned movement of the 1960s and to re-purpose the World Bank backed by a digital currency issued by a re-purposed IMF. He said 10% of global GDP needs to be invested in developing green energy, public education, public health and poverty alleviation.

Secondly, to end the tyranny of capital over people, “instead of people serving an empire of machines and money, let machines and money become the servants of our people”. This can be achieved if we deny banks the monopoly over people's transactions. **NA**