

We need a new non-aligned movement

and the audacity to imagine a new international economic order

By Yanis Varoufakis

Below read the word-for-word transcript of the lecture delivered by the former Greek Minister of Finance and current member of Parliament on the occasion of the second annual Ben Turok Memorial Lecture.

I want to thank the Institute for African Alternatives for this profound honour to deliver this second, I believe, Memorial Lecture for Ben Turok. Ben was mentioned to me in South Africa by another great freedom fighter who acts as bridge between you and me here in Greece, George Bizos. It was in his house with his family when he mentioned Ben Turok, Ben's work and the common concern, or maybe horror is a better, a more appropriate word, that George and Ben and many others felt, I have to say I share that horror from a distance, at the thought that the whole panoply of inequalities, inequities and injustices of Apartheid would survive, in to use a phrase by Ben Turok, in "the shadow of liberation".

It was George Bizos who pointed out that Ben Turok was one of the protagonists of thinking and acting as a means of countering that fear, that horror, that reality because, let's face it, while the demise of Apartheid at the

legal level, at the level of political rights and formal rights was a great triumph of humanity, one that we all celebrated, and we should continue to celebrate, at the very same time economic Apartheid has a capacity to linger. It can be found not just in South Africa, but it can be found in the streets of Athens, the suburbs of London, in Washington, DC, where you see the effect of unequally distributed property rights on dividing societies with almost as great efficacy as the brutality of an Apartheid regime can.

So, I begin my address to you, friends and comrades, brothers and sisters in South Africa, with regret mixed and blended in with a deep appreciation, a deep sense of debt to you for selecting me to deliver this speech, this lecture from Athens, Greece.

I mentioned property rights... There is a triangle of power that is reproduced and implemented and exacted upon people which I believe that Ben Turok spent a lot of his academic thinking and energy, his activism, understanding and countering.

What is this triangle? I've mentioned one of the three aspects of this triangle ... property rights. There is a second one. Investment and industrial policy, strategy and practice. Without investment in the capacity to produce things that society needs even the best intentions and the most democratic of political systems cannot utilize in order



to deliver shared prosperity, which is of course what Ben Turok, what every progressive around the world, cares for.

So, property rights and industrial or investment policy and austerity. I believe Ben Turok waged a war against austerity, as I tried to do here in Greece, in Britain, in Europe, wherever I can, like every progressive, and actually logical and rational person should.

One of the fascinating puzzles regarding austerity concerns the inability of any rational mind to find a rationale for it because austerity is by definition a failed policy. It's an utterly mad, sad and bad policy that has never worked and can never work.

Now, if what I'm just saying is right, why is it so popular? The answer is contained in the other parts of the same triangle [of power], in the distribution of property rights and the means by which investment is channelled and >>



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the particular channels along which investment funding travels.

Let me try to bring this a little bit together. Austerity can never work for the very simple reason that the macro economy is nothing like the micro economy, in the same way that in physics the rules of thermodynamic Newtonian physics do not work at the level of quantum mechanics. Similarly, what applies to you and me as individuals, to small business, or actually any business, does not apply to the economy at large.

And what rule is that? Well, that if the going gets tough you need to tighten your belt. You and I need to do it if at the end of the week our revenues, our income falls short of our expenditure, it is madness to continue spending as much as we did before because that means we'll simply get into debt and our creditors are going to throttle us. So, we need to tighten our belt. Parsimony at the individual level is, of course, a virtue. But when you project from the level of the individual, the firm, or the small entity to the macro economy you fall into the trap of what John Maynard Keynes referred to as the fallacy of composition.

The reason why what works at the micro level doesn't work at a macro level, that is belt tightening, is very simple. You and me, and the company, or an institute, an NGO "enjoy" the

splendid independence of our income from our expenditure. If tonight I do not go out to eat at a restaurant and save that money that does not affect my income. My income is what it is so I save money if I don't go out to a restaurant to eat tonight. But if the state tries to do that, in the midst of a crisis...

You have a recession, even a small recession. What does this mean? By definition a recession means that the private sector is cutting down on its expenditure on labour, capital, investment, on this or the other. So, you have private expenditure falling, shrinking, it doesn't matter how fast, that is the definition of a recession. If in that recessionary period the state, because it is going into the red, because the deficit of the government budget is increasing, which is natural during a recession, because when private expenditure falls, then the tax treaties of the government fall, and at the same time, maybe because there is an uptick in unemployment, for example, the government needs to pay more in unemployment benefits, health benefits, social benefits to the poor, to those who are suffering as a result of the recession, so the budget deficit increases. If the government tries to cut it through cutting public expenditure it will be like cutting off your nose to spite your face, unlike in your [personal] situation or in my situation, where our own budget deficit requires that we cut expenditure. If the government does that, what will it be doing? What it will be doing is that during a period of shrinking, private expenditure, public expenditure will also be shrinking.

Now, what is the sum of private and public expenditure? It is national income. This is why, as I said before, the government, the state, the national economy, the macro economy does not enjoy the splendid independence of expenditures from incomes. They are one and the same thing. The total expenditure equals the total link. So, austerity is bound, even if it is well

meant by the finance minister, even if the finance minister thinks "I have a budget deficit, I am going to cut down my public expenditure in order to shrink my budget deficit" –even if the finance minister is uneducated enough to think that with good intentions-- good intentions don't stop austerity from being self-defeating.

Why is this? Because in the end by cutting public expenditure yes, the expenses of the government will go down but at the same time national income is going to shrink faster. As national income shrinks faster the tax revenues of the finance minister will shrink faster than the expenditures of the government so the deficit ends up increasing as a result of the attempts to shrink it through public expenditure cuts.

This is something we have known at least since the 1930s or maybe the 1920s. Keynes knew it before.

If I am right, that it is so self-evident, and if I am right that empirical evidence confirms that austerity has never worked, during periods of recession no government has managed to reduce its government deficits simply by austerean measures, cutting down on public expenditure and increasing taxation, why is it so popular?

As we speak there is a new government, the third in a few months, in London, in the United Kingdom. Rishi Sunak, the new prime minister and his Chancellor of the Exchequer are practicing austerity 2.0. Austerity 1.0 came after 2010 with George Osborne then Chancellor of the Exchequer, who experienced what I just described for you, that is the fallacy of composition. George Osborne, with austerity 1.0, cut and cut and cut. The result is the poor state of the National Health Service in Britain today, the poor state of the social fabric of the United Kingdom, the discontent which fuelled Brexit, and so on. That was all the doing of the austerity 1.0 of George Osborne.

And what did he achieve at the level of fiscal policy? Well, what happened



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was the public sector borrowing requirement was increasing constantly the more George Osborne was practicing austerity. So, we know it doesn't work.

And yet austerity 2.0 is now back on in the United Kingdom. Why is that? Another question, it's the same question, but put in a different national context.

In 2010 this place here, Greece, went belly up. We became utterly and irretrievably bankrupt as a state, banking system, private sector, the whole country. I am not going to bore you with the story of why that happened but it happened. We had a budget deficit of 15% of GDP. We had a debt that could not be repaid, the interest rates that we could borrow out as a state had gone through the roof and the GDP was in freefall.

The great and the good, the International Monetary Fund, came here with a template of a solution which they started developing in Africa in the 1970s, the Structural Adjustment Programmes, SAPs. They brought them to Greece in 2010. Some people, like myself, we were warning them that they are going to make a bad thing worse, that this is no solution. They came, and they imposed massive austerity, the largest austerity in the history of capitalism, including Africa. The austerity they imposed here was worse in terms of magnitude than any of the SAPs in Africa and lo and behold, we had a 28% fall in GDP. People

were eating out of rubbish bins in a middle-income country like Greece. It was not Zambia. It was not Uganda. It was not Bangladesh. It was a relatively developed country where hunger had been eradicated, where Nazism had been defeated, and within one year we had hunger and Nazis in our Parliament. The third largest party was not a new Nazi party. It was a Nazi party. There was nothing new about them. They were old fashioned Hitlerites.

Didn't they know, the good people of the International Monetary Fund know that this would be the result? It is a rhetorical question. I am not going to even answer it. But this is the same question concerning Britain in 2010, with George Osborne. Didn't he know that his austerity would fail? Doesn't Rishi Sunak today know that austerity will fail? Doesn't the IMF know that in Sri Lanka that the cure for the domestic economy's problems cannot be austerity, and yet, as we speak, what they are trying to do is to impose upon Sri Lanka an austerity package as part of a "rescue" plan.

I mean there are some people in the IMF, some people in World Bank, some people in the Bank of England, some people in the European Central Bank, some people in the Federal Reserve who are very smart and know everything that you and I know.

But institutionally speaking whenever I have to choose between the following two explanations: One explanation is stupidity, no they don't know, they are uneducated and they don't understand the difference between macro and micro. Or the explanation, but they know exactly what they're doing. But there is another motive behind what they're doing. In other words, are they stupid or are they guilty?

I always avoid explaining what they do on the basis of assuming stupidity, so let me give you my explanation of why austerity is so popular. It's my explanation, it could be wrong. My understanding, beginning with the

United Kingdom... The reason why austerity 2.0 is being imposed is very simple, from my perspective. After Margaret Thatcher attacked the working class by selling their council houses and privatising public utilities, shutting down industries in order to divide the working class between the ones that are thrown into the dustbin of history and the other ones who retain a job and become financialised. In other words, they buy their own council house with a mortgage from the bank so they become part of the financial system and they see rapid increases in their wealth, at least on paper.

From the moment Thatcher put Britain on that path, the whole of the British economy is founded on the housing market. House prices have to keep going up in order to maintain a de-industrialising Britain with a semblance of growth and prosperity. Now that we have a bout of inflation and interest rates must rise, if the interest rates rise to the level which is necessary to arrest inflation, the housing bubble is burst and the whole political economy which supports the subjugation of Britain's working class. The treatment of the north of England, of the working class in Britain, which resembles the way that the British Empire treated India during the era of the British Empire. That model collapses so they prefer austerity because austerity is a form of fiscal class war against the needy, against the weakest members of society. It reduces the bargaining power of individual workers. Trade unions have been rendered more or less irrelevant by 30, 40 years of Thatcherism and neoliberalism. That is Britain.

Why did they impose austerity here in Greece? Because it was their way of destroying the commons, destroying the trade unions, destroying the solidarity between the generations, between the grandfathers and the grandmothers on the one hand and the grandchildren on the other and succeeding in transferring every ➤



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asset owned by the state to foreign multinationals and foreign funds, funds based in Delaware, in New Jersey, and the Cayman islands, that are taking over most of our cities in terms of repossessing private dwellings as well as all our airports, all our ports, all our infrastructure, our water. even the sun in terms of solar panels that are being installed on agricultural land that has been confiscated from bankrupt farmers That's a form of colonialism.

Amartya Sen, the Nobel prize-winning Indian economist, said to me some time back in 2015, he said "you know, Yanis, the problem that you're facing when you're negotiating with these people is that you are negotiating for the first time ever it has happened in the political economy that I know of, with creditors who don't want their money back. What they want is the Greek debt to remain unpayable because the debt is a weapon by which the very, very few, the transnational oligarchy across borders can get their hands on public and private assets that are lucrative and have a long-term capacity to produce rents for that privileged oligarchy." Now that is to me a very good way of describing colonialism. So, colonialism spread out of Africa. It started with the structural adjustment programmes of the IMF in Africa. Then whenever you had a bankruptcy, like

in South Korea in 1998, it moved there. Then in Greece, in Ireland, in Portugal, in Italy during the debt crisis in the Eurozone, those structural adjustment programmes came to Europe. Now they are making their way to Sri Lanka, and they're going back to the development world and the global South. So that is a dynamic shift of austerity from continent to continent, from the global South through the global North, then back to the global South and back to the Global North.

And it's connected to the two other parts of the triangle that I described before, austerity, property rights and industrial policy. With property rights you have the wholesale confiscation of the property of the many by the very, very few worldwide. Where does industrial policy fit into this? Well, think of the flow of capital ever since the Bretton Woods system collapsed in 1971. Here you have a very interesting global setting. Between 1944/1950, the commencement of the Bretton Woods system and 1971, global capitalism was managed centrally. We had the Bretton Woods system which fixed exchange rate, essentially using the dollar as the anchor of the international global capital system. It used capital controls to prevent finance from dominating industrial capital. It was a golden era of capitalism; it was a golden era of Industrial capitalism.

Your country suffered apartheid during that time. My country experienced a CIA-led fascist dictatorship, but nevertheless it was the golden era of capitalism with very low levels of inflation, very low levels of unemployment, and diminishing inequality. These are all themes that I believe Ben Turok was interested in. That system, Bretton Woods, died in 1971 with the famous Nixon shock. That wasn't the making of Richard Nixon. he just happened to be in the White House when that system had to be blown up.

Now, why did it have to be blown up? Because the whole system was

predicated on the assumption that the United States of America would be the surplus country, the country that had a trade surplus with the rest of the world, which meant that that surplus would allow for the dollars that the United States had shared with the rest of the capitalist world to flow back into the United States, because when the Americans were selling more stuff to Europeans, Japanese, Africans than they were importing from them that meant that there was a constant stream of dollars made available to the rest of the world, flooding back into the United States. So American net exports were flooding the world and dollars were returning, being repatriated, into the United States. That was the logic of the Bretton Woods system, the logic of the golden era of capitalism in the fifties and sixties.

Now came the Vietnam War and the great society of Lyndon Johnson, the social programmes that were necessary in order to quell the internal domestic conflicts created by the Vietnam war and the civil rights movement and so on, their internal apartheid, especially in the South of the United States, that rendered the United States a deficit country. The surplus became a deficit. The Bretton Woods system was reliant on the surplus to survive. American policymakers chose not to tighten belts. They did not do austerity, which is quite interesting. The hub of capitalism and the gurus of high-end capitalism understood that austerity was a failed policy, and they never implemented it in their own country. They did the opposite. They hit the accelerator of their deficits. They increased their deficits.

Who paid for them? It was the rest of the world because in the second post-war phase of global capitalism we have the situation whereby the rest of the world was sending its net exports to the United States. This is the opposite of what was going on before in the fifties and sixties under the Bretton Woods system. So German net exports, Italian



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net exports, Japanese net exports and eventually Chinese net exports were going to the United States. Dollars were flooding in Europe and Japan and China. This is why China has most of its savings in American dollar-denominated assets. That was the second phase. It's generally known as the face of neoliberalism. I don't like the word because it's neither new nor liberal. It's the period of financialisation and financialisation was the result of the recycling, the global recycling of wealth produced by asymmetrical property rights. That recycling was a very weird one because for the first time in human history, the hegemonic power is going more and more into the red, into deficit and the more it goes into deficit, the more hegemonic it becomes.

Other empires, like the Roman Empire, the British Empire, collapsed when they got into deficit. But the more the United States got into deficit the more powerful they are becoming, at least until recently. Austerity was reserved for the countries that were essential in maintaining the transfer of property rights from the many to the few.

An ancient Greek, Pericles, talked about the importance of shrinking poverty in a democracy. Allow me a brief interruption of my macro-economic global/micro-economic

narrative by mentioning another ancient Greek, this time, Aristotle, whose definition of democracy I think is very pertinent, not just in this discussion, but in every discussion involving democrats and activists. Do you remember how he described democracy? By the way Aristotle was not democratic, he didn't like democracy, like Plato, they hated democracy. They were in favour of aristocracy but Aristotle at least had a very sharp mind and he knew how to describe and define democracy properly. He defined it as a system where government is exercised by the majority who happens to be the poor. So, in other words austerity is the opposite of democracy.

Austerity is a policy whose purpose is, at the expense of the total size of the pie, at the expense, in other words, of that great holy cow of free marketeers, efficiency – because that is what it means to shrink the pie, inefficiency, which is the opposite of productivity. The opposite of efficiency is the shrinkage of the pie at the expense of shrinking the pie to redistribute it from the many to the few. That's oligarchy. So, austerity, oligarchy, the transfer of property rights from the many to the few, the plunder of the commons, in other words, by the oligarchs internationally. These are two sides of the same coin. This is where investment comes in.

The second phase of the post-war era that I described, this very weird recycling system, where the rest of the world is sending their profits and surpluses to the United States and the United States uses them in order to import into its territory the net exports of the rest of the world. This is the situation between the 1970s and 2008.

After the mid-1970s you have the net exports of Germany, of Italy, of France, of Japan, of China, of South Africa moving into the United States. At the same time 70% of the profits that the Italian, German, French, South African,

Saudi Arabian, Korean, Japanese and later Chinese capitals were making were going also into the United States to be invested in Wall Street, and that created financialisation. When you give bankers in Wall Street a few million dollars they find ways of multiplying them. It's called financialisation, through derivatives through wages, through very complicated forms of debt and complicated self-referential bets about bets, about bets.... This was the financialisation drive. Between the 1970s and 2007 a substantial part of that money that was being exported from the rest of the world to Wall Street and financialised found itself converted into investment, very skewed investment, investment usually in things we don't need as humanity like, more four-wheel drive cars and apartments for the rich and motorways going nowhere. But nevertheless, it was invested.

That bubble, however, that tsunami of financialised money that was turbocharged into the stratosphere by Wall Street and the city of London crashed and burned in 2008.

Then what happens is the G7, the G20 get together in London in April of 2009, and under the leadership of Gordon Brown, who happened to be the UK's Prime Minister at the time, and for the first time, and probably the last time, they managed to actually coordinate their policies. The G7 and the G20. And the coordination had two planks. They printed something between \$15 and \$25 trillion to reflow finance, the financial institutions that had all gone bankrupt in 2007/2008. That's what I call socialism for the bankers. You use the state banks to print money to give free money, you pluck the money tree to save and to bail out the bankers.

That's the difference between 2008 and 1929. They were very similar crisis, except in 1929, the central banks did not bail out the bankers. The bankers and the banks were allowed to go bankrupt but in 2008/2009 the bankers were saved, were bailed out along with their banks ►►



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using state money. That was one plank.

The second plank of the international coordination was universal austerity, the austerity that we experienced here in Greece. Greece was a laboratory, in the same way that Africa was a laboratory in the 1970s and early 1980s for structural adjustment programmes, Greece was a laboratory for this combination of socialism for the bankers – they saved the big banks and the bankers themselves and the oligarchs with public money, while at the same time practicing the worst austerity, and that spread everywhere. It started in Greece, went to Portugal, Ireland, Spain, Italy, Germany, a country full of surpluses without any hint of bankruptcy – except the banks – and the working class of Germany suffered immense austerity.

It was this combination of fiscal and monetary policy, socialism for the bankers and austerity for everyone else, that created the most profound shift in property rights from hundreds of millions of Europeans to very, very few institutional investors in Germany.

Let me give you a simple example. From 2009 to 2020/2021, even the beginning of this year, 2022, especially during the pandemic, in order to stabilise global capitalism following the debt crisis, the banking crisis, the pandemic, the European Central Bank or the Fed or the Bank of England would print billions every day. Now, how does the system work? Let's use the European

example, but it makes no difference. I could use the British example or the American example. Somebody from the European Central Bank in Frankfurt would call Société Générale in Paris and say "I've just printed a couple of billions for you. I'll give it to you at - 0.7% interest. I will be paying you 0.7% to take this money off me. Do you want it?" Société Générale would say "yes, of course, bring it on," not even thinking for one second of lending it for investment purposes to companies and businesses because they would look at the many who were impecunious and say "as if they will ever be able to pay it back, we're not giving it to them". So, they would pick up the phone and would call Jeff Bezos from Amazon, or they would call Google, Microsoft, Volkswagen, Krupp, Aston... They would call the Big Fish, the conglomerates, and say, "I've got half a billion for you. Would you like it? I'll give it to you for 0% interest rate", thus the banks, Société Générale would make a spread. It was receiving money from the European Central Bank at -0.7% and would lend it at 0%. Fantastic. For no effort a very nice little earner for Société Général, a bank that had already been saved by the Greek taxpayers, the German taxpayers, all the taxpayers, it would be making a little bit on the side through quantitative easing, through this policy of socialism for the financiers. Then Volkswagen would get their money, half a billion dollars or 1 billion dollars and they would look at the market in Germany, in France, in South Africa, and ask themselves, should we invest in a Tesla competitor, a high-end modern battery car that can compete with Elon Musk's Tesla?

That would take a lot of investment, but if there was demand for it, they could sell it for 100,000 euros each one of them. This is the going price for one of these mega cars that are battery driven at the level of Tesla. They would make money. But they would look at the people of Europe who were

suffering austerity during the largesse, the socialism for the bankers, and they would say "no, they won't be able to afford such a car, so I'm not going to invest." So, they would have this half a billion dollars that they would have taken from the Société Générale who had taken it from the European Central Bank and they would say, "what are we going to do with this?"

I'll tell you what they did. They went to the stock exchange and they bought Volkswagen shares because that pushed the share price of Volkswagen shares up. The salaries of the members of the Board of Directors of Volkswagen are linked to the share price, so they made a nice little earner and they bought a flat in Berlin or a house in Munich. The house prices went up, the many suffered because they could not keep up with the rents at the time when prices were stuck or negative, and wages were stuck or negative. I am very concerned that I must honour the memory of Ben Turok and bring together the concepts of investment, of unequal property rights and austerity.

I'm trying to put these in a broader context, which tells a story about how the post-war era has been one of a permanent, global, colonial-like class war which is being expedited and is being prosecuted in every country on every continent, with parts of the global South being transferred to the global North.

In other words, you have the popularisation of whole segments of the population of Britain, the United States who get radicalised in the wrong way because of the failures of the Left, and they start falling for racists, Trumpists, fascists. Italy now has a fascist government, as we speak. It is preposterous. As I mentioned before, the first impact of austerity in my country was the rise of a Nazi party from nowhere.

But let me speak now to the title that I chose for today's talk because I haven't done that yet. I was going to use my introduction in order to create



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a foundation for my hypothesis about the new Cold War that is happening all around us, and the new colonialism, the new escapade of colonial power.

The latter I've already introduced, because there's nothing really new about it. The only thing that is new is that colonialism is spreading out of the global South to the global North. My country is now a penal colony, is a debt colony of Frankfurt, of Brussels, of Washington DC, in a way that it never was even under the Ottoman Empire.

But straight to the New Cold War, if I may. How did it begin? It began with Donald Trump. We already have seen, I hope, that Donald Trump is a symptom, like Meloni in Italy, like Brexit in Britain, like the fascist, the Nazis, the golden dawn Nazis here in Greece. They are a symptom of the crisis that started in 2008 and proceeded with socialism for the bankers and austerity for everyone. Humiliated people, people wallowing in hopelessness watching a huge amount of money being minted on behalf of the very few, while they are subjected to the class war that is known as austerity, with property rights being taken away from them, and their commons being plundered all over the world.

That anger, especially when we of the Left have failed to provide an internationalist agenda for change following our 1991 defeat. The Left internationally suffered a major defeat in 1991. Those people who suffer

across the world are very prone to fall for somebody like Donald Trump, who like Hitler and Mussolini in the 1920s promised the humiliated, the downtrodden to make them proud again. The Faustian bargain was “you give me authoritarian power, forget about democracy, about humanism, about trade unions, about social organisations, about autonomy. You give me the power which I need, and I will make Italy great again, or Greece great, or America great again.” This is what Trump did.

What was the first thing that Trump did? To start the new Cold War against China. Why? Trump is not a warrior, Trump didn't start a war, unlike Democrat or Republican presidents did before him, but he started a Cold War, a commercial war with China.

If you look at what fascists always did, and neo-fascists always do, in the name of making the downtrodden proud again, once they are in power, the first thing they do is they appoint a banker to the finance ministry. He was going to drain the swamp, and he was going to attack Wall Street. The first thing he did was he took a man from Goldman Sachs and made him finance minister. The second thing he did was he looked at what was left of the hegemonic technological prowess of the United States, Silicon Valley. He looks at China. Whatever we may think about the Chinese Communist party, human rights, and so on – and I have a lot to say about that, but let's stick to this political economy perspective in honour of Ben Turok. China, from the Trumpian mindset, has two castles that must fall. One is its own financial sector, which is not controlled by Wall Street. We need to conquer it, he thinks, on behalf of Wall Street. The second one is Big Tech. The only country in the world that is competitive with Facebook, Google, Twitter, Amazon, even Tesla is China. They have Alibaba, they have Tencent, they have WeChat, they have a remarkable homegrown big tech

industry. That is the second castle that must fall.

So, the first thing he does is he targets banks, the financial sector of China and demands the liberalisation of finance, which would be a catastrophe for China if they did it, in the same way that it was a catastrophe for South Korea when they heard the Americans, and they did it in the 1990s. The result was the 1998 South East Asia collapse. And the second thing that Trump wants to do is he wanted to attack the Chinese big Tech. He effectively wants data freedom, as he called it at some point.

He embarks upon it, but it's a limited kind of economic war. This is still not a New Cold War. That took a Democrat to move into the White House. In October Joe Biden issued a declaration of economic war against China when he banned any American person, – not American citizen – but anybody with a green card or any kind of visa, or anybody with any kind of relationship with the United States, even if they are not Americans, is considered an American person, who deals with the Chinese, who trades with the Chinese anything that can be deemed of help to the Chinese to produce advanced microchips is declared illegal. That is effectively telling President Xi and the Chinese we will crush you economically, we will not allow you to develop technologically. And since technology and now algorithmic capital, I call it, or cloud capital, capital which lives up in the cloud which is not simply means of production, produced means of production, steam engines and diesel engines and jet engines but it's this amazing algorithmic capital which lives in the cloud which effectively is a produced means of modifying people's behaviour in the interests of the owner of that cloud capital, like Amazon.com. Essentially Joe Biden told the Chinese we are now in a state of total economic war.

Now, why is this of interest to you? Well, for two reasons. Firstly, the way the global economy has been functioning over the last 30 years is ➤



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predicated upon Chinese savings. Remember the point I was making about the global recycling mechanism where, since the 1970s, America has a deficit that which is being financed by a transfer of savings from net exporters, like China, to the United States.

Of all the net exporters in the world today the Chinese are the most significant percentage. So, the global stability or instability or unbalanced disequilibrium, what is left of the stability of the global economic system in which South Africa is trying to survive is now being upended by measures of the Washington DC administration, the Joe Biden administration – and I am not judging them politically or morally, I am just trying to be as objective as I can. These measures, the declaration of economic warfare on the Chinese, together with the first decision taken regarding sanctions after Vladimir Putin invaded the Ukraine, remember what it was? The confiscation of \$600 billion dollars' worth of central bank of Russian money. This is the first time in the history of capitalism that central money has been confiscated by another central bank. It's never happened before, even during the Crimea war in the in the 19th century [when] the British were fighting the Russians [and] the British banks were paying their dues to the Russian banks, and the Russian central

bank was paying its dues to the Bank of England. So, this is the first time this has happened.

Why is it significant? Well, if you were a Chinese saver or mega industrialist or the Chinese Finance Minister wouldn't you be utterly worried that you have 3 trillion dollars invested in American assets which can be confiscated at the drop of a hat by any American president? Of course, you would be worried. And what would you do? First you would do what President Xi in China is doing today. He is trying to effectively turn China into an autarchy economy. It makes perfect sense for them to do that. The second thing they will do, and are already doing, is try to create an alternative payment system that does not rely on the dollar, and does not rely on the machinery that the Fed and the American Authorities control, like for instance, Swift. They are doing this with the electronic yuan, the e-yuan, which is a major development and a major repercussion even though it was an unintended consequence, repercussion of the war in Ukraine.

If China succeeds in doing that, then South Africa is going to find itself in a world where financial flows and investment funding will dry up. Completely dry up. I don't know what effect that will have on the average Chinese citizen but I know that the average American is going to suffer because it will mean that the low consumer prices which were predicated on cheap Chinese imports and the export of Chinese profits to Wall Street, to finance the way of life of middle Americans, that is going to suffer. What I do know is that those countries like South Africa that are trying to move up the value chain through investment, your country is going to have an increasing amount of difficulty drawing the funding which is necessary in order to participate in a global economy, simply because this global capitalist economy is going to be shrinking and shrinking and shrinking.

I have no idea how this is going to pan out, but what I do know is that the elephant in this room tonight, the big issue that went unsaid, when added to all the issues that I spoke about, climate change, is creating a very bleak set of circumstances for our children and their kids. In a world that is increasingly destabilised by this new Cold War, in a continent like Africa which has increasingly relied on Chinese investment, which was the result of China's role of financing the United States' model of capitalism in a world where we will need, if we are going to avert catastrophe, to divert 10% of global GDP to green energy and the green transition. This new Cold War and the increasing use of austerity for the purpose of shifting property rights from the many to the few globally is creating a fundamental instability and a set of obstacles for countries like South Africa, countries like Greece, countries that are losing any power to reproduce the circumstances of generating their own conditions for shared prosperity.

I will end by reminding you that we are approaching the 50th anniversary of the non-aligned movement of the 1960s and 1970s. Remember that 50 years ago the non-aligned movement tried to create what they referred to back then as a new international economic order, elements of which succeeded in creating generic drugs, for instance, generic pharmaceuticals but which in the end collapsed because of the debt crisis and the inflationary crisis of the 1970s.

I trust, and I submit to you, that progressives in South Africa, in Europe, in India, in China, in the United States, across the world, we have a task. We have a task to revive the idea of a non-aligned movement struggling to create a new international economic order. The first task or subtask should be to direct large amounts of money, 10% of global GDP, into things that humanity craves, from plentiful green energy and public health, to public education, and indeed, poverty alleviation.



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... whole segments of the population of Britain, the United States [who] get radicalised in the wrong way ... and they start falling for racists, Trumpists, fascists.

Can this be done? Well, technically yes, it can be done. Imagine for a moment – just go along with my narrative – imagine a repurposed World Bank backed by a digital currency issued by a repurposed International Monetary Fund investing 10% of global income into the green transition in the developing world.

Well, this is a dream, but technically it can be done in two months. It’s an extension of the idea that John Maynard Keynes presented at the Bretton Woods conference in New Hampshire, in the United States, in 1944.

The reason why it is an impossible dream today is because it will never happen as long as the global empire

of capital remains intact. And that, I believe, is our second task.

The second task or sub task is to end the tyranny of capital over people so that for the first time instead of people serving an empire of machines and of money, machines and money become the servants of our peoples.

Now of course you may ask what does it mean in practice to topple the empire of capital? How can humanity reclaim the plundered commons on our land, in the oceans, in the air, and soon, you know, in outer space? Think, Elon Musk.

I shall conclude by answering in two ways. By ensuring that corporations belong to those who work in them on the basis of one employee, one share, one vote. And by denying banks the monopoly over people’s transactions.

If we can imagine that, then suddenly banks and profits will wither and our economy’s driving forces will no longer be in the pockets of banks, while simultaneously there would be no distinction between profit and wages. This is the old idea of a cooperative-based enterprise. If you follow me, if you are willing to follow me thus far, this simultaneous death of the market for shares and of the labour market along with the defunding of private banks would automatically redistribute wealth, and this is a magnificent byproduct of this redistribution of wealth. It would even remove the incentive to wage war.

Now what I just described may sound far-fetched, but friends, comrades, sisters and brothers, it is the only way we can credibly speak of genuine democracy, that is democracy to be practiced in the citizens’ and the workers’ assemblies, not behind closed doors, where secretive oligarchs, together with media owners, make all the decisions on behalf of the majorities. Now this twin democratisation of money and of capital, I know it sounds like a pipe dream, but you know, once upon a time the idea that we will overthrow the divine right of kings or that we could envisage a society without slavery sounded like a pipe dream.

So, allow me to finish with a call on behalf of the Progressive International, which I think I have the right to represent amongst you tonight. The Progressive International, which this week staged the “make Amazon pay” campaign globally from Vietnam to Bangladesh to Germany to New Jersey, all the way to Seattle.

Let’s join forces. Let’s come together. Let’s unite in a common struggle, not just for the survival of humanity but for the chance of giving every child that will be born tomorrow in Africa, in Asia, across the world a chance for a successful life.

For that we need a new non-aligned movement and the audacity to imagine a new international economic order without capital ruling over human beings.

Thank you. **NA**