

Linda McQuaig, "A Matter of Will"

What choices do we, as citizens, have in the massive global economy? Can we still have a society that defends the public good, a society focused on promoting the well-being of the whole community? Such a society should recognize and respect private interests, but also should

power from popularly elected governments to powerful private interests. Basically, there are two parts to my argument.

First, governments have considerably more manoeuvring room in the global economy than is commonly believed. The popular belief is that Canada must do what international investors want, or they will withdraw their capital, leaving us in difficult circumstances. Yet the truth is that even in this world of full capital mobility,, Ottawa has more options in its choice of policies than this version of events suggests.

One piece of evidence to illustrate this point involves a 1994 report on Ottawa's finances by Goldman Sachs, one of the most prestigious firms on Wall Street. The report, which was not

The point is that the constraints on the Canadian government in the global economy are often exaggerated. And this exaggeration has acted to convince Canadians that they have fewer options than they really do.

The second part of my argument is that, to the extent that there are constraints on governments in today's global economy, it is largely because governments have chosen to cede power to the financial markets. But this power could be reclaimed. In the last several decades governments, in Canada and elsewhere, have surrendered a significant amount of power to private financial capital through domestic deregulation and also through international arrangements and trade deals that enhance the rights of investors at the expense of governments. This transfer of power from democratically elected governments to the private sector has taken place in response to enormous pressure from that same private sector.

This transfer of control could not have occurred without public acquiescence. But while the Canadian public has tacitly gone along with this change, I would argue that this is not because Canadians want to see themselves or their governments stripped of power, but because they have come to believe -- falsely -- that nothing else is possible in the global economy, that globalization has changed things in some fundamental way that eliminates the democratic options that once existed.

Perhaps this sounds like I am skirting dangerously close to ignoring the hard reality of globalization. Few arguments seem to be able to shut down political debate faster these days than

But I believe that this sort of accusation misses the mark. Of course we are living in a global economy! We have been living in one for more than a hundred years. Ever since the laying of the transatlantic cable in the late 1860s, the world has been a highly interconnected place, in terms of trade and capital flows. The real issue is not whether we live in a global economy; the issue is what kind of global economy will we have?

In the last fifty years alone, we have seen two very different global economies, which have produced significantly different results. There is a strong tendency these days to forget about the global economy that existed in the first three decades following the Second World War, roughly from the mid-1940s to the mid-1970s. It was more regulated, and the power of markets was more restricted. The rights of capital and investors in general were given less precedence than today, and were often made to take a back seat to the rights of the broader public. At the very least, it can be said that there was a greater balance between the rights of private interests and those of the public at large -- a balance that is missing today.

This greater focus on the public interest was the deliberate intent of the key architects of the early postwar system -- John Maynard Keynes of Britain and Harry Dexter White of the us and, to a lesser but notable extent, Louis Rasminsky of Canada -- who were determined to avoid a return to the Depression, with its devastatingly high unemployment and serious lack of social supports. Keynes and White therefore constructed a system -- known as the Bretton Woods Accords -- that, among other things, gave governments a key role in managing their own economies, including the power to control the flow of financial capital across their borders. The financial elite was fiercely opposed to these capital controls, but Keynes and White argued that without such restraints this financial elite would constantly be using the threat of capital withdrawal to intimidate governments into doing what it wanted.

Capital controls made a significant difference. Insulating governments from the threat of capital withdrawal enabled them to be far more responsive to demands from the electorate -- demands that usually involved policies aimed at achieving full employment and developing strong social programs. The result was the attainment of an unprecedented level of equality amongst citizens in most Western nations, including Canada. There was also widespread prosperity, partly because capital controls created stable currency values which helped promote world trade. While a number of huge problems remained largely unaddressed in this early postwar period -- the environment, Third World poverty, the position of women, and militarism, to name a few -- the overall progress in the direction of equality, democratic empowerment, and prosperity was significant. With some reservations, this could be termed "good globalization."

What has replaced it, I would argue, is what loosely could be termed "bad globalization" - a global economy in which the rights of capital holders are increasingly given precedence over the rights of the broader public. In this new form of globalization, the international marketplace is still regulated by international treaties and agreements, but it is regulated now more in the interests of capital than in the public interest. And the result has been growing inequality. So the key question is: why was the "good globalization" possible in the early postwar period, but apparently is no longer possible today?

The conventional answer is that technology has changed everything. The computer now makes it possible to move money around the world so quickly that no government could possibly control capital movements today.

But this only tells part of the story. The computer also gives us enormous power to trace the movement of money, and therefore to monitor it and even to control it. In other words, governments could still today impose controls on the movement of capital if they wanted to -- or

rather, if we demanded that they do so. There is no reason we could not have a form of "good globalization" today if, as citizens, we insisted on it. The obstacles in our way are not technological -- as is often asserted -- but merely political. The real obstacle is the fierce opposition of the financial elite.

But while the power of this elite is real, it is not insurmountable -- as the architects of the early postwar system discovered in their showdown with the financial elite of their day. Indeed, this is clearly the perfect moment for Canada, along with other nations, to be pushing for fundamental reforms to the global economy. "Bad globalization" is in crisis. It has been revealed not only to cause greater inequality, but also to create enormous instability -- as we have seen during the world financial crisis over the past year.

Indeed, this crisis is integrally linked to the free movement of capital, which causes the kind of boom-and-bust scenario that unfolded in Asia. As financial markets have become increasingly focused on moving around huge pools of speculative capital, rather than on making serious long-term investments, the international financial system has become more volatile and unstable. Asia and Russia are now bearing the devastating consequences of that instability; even Canada felt the ripple effects as our dollar plummeted in the summer of 1998. Perhaps the damage will be contained this time. But today's global financial system, with its free-flowing capital, is clearly less stable than the one that prevailed in the postwar period. Unfortunately, most reforms proposed so far, including those advanced by our own finance minister, Paul Martin, do little to address the fundamental problem of free-flowing capital.

But recognition of the serious flaws in the current global economy could be the beginning of real change. It is also crucial that the public come to believe, once again, that goals like full employment and properly funded social programs are attainable. Indeed, the obstacles that

prevent us from attaining them now are not, as is often suggested, forces beyond our control -- things like technological change or globalization. Rather, the major obstacle in our path is the same obstacle we have always faced -- the enormous power of the financial elite, its