http://www.counterpunch.org/2016/09/30/a-globalization-wake-up-call/

A Globalization Wake-Up Call

by MURRAY DOBBIN

9/30/2016

If recent mainstream economic reports are to be taken seriously some of the big brains managing global capitalism these days are starting to lose faith in their neo-liberal ideology. Some come close to sounding like virtual heretics. Like Jonathan Ostry, is the IMF's deputy director of the research and lead author of an article ("Neoliberalism: Oversold?") in the IMF's official publication. He stated, with a childlike innocence: "…some aspects of the neoliberal agenda probably need a rethink. The [2008] crisis said: 'The way we've been thinking can't be right'." No point, I suppose, in dwelling on the past – that is, the millions of lives made miserable by decades of IMF structural adjustment programs.

The lack of *mea culpas* notwithstanding, the IMF bravely identifies two aspects of neo-liberal policy for scrutiny: the elimination of capital controls (allowing for capital flight to be used as a political weapon against poor countries) and fiscal austerity. While "cheering" aspects of the "neo-liberal agenda" according to the Financial Times he also acknowledged some "'disquieting conclusions' including that they resulted in increased inequality that undermined economic growth."

That report came out in May but just last week the annual report of the UN Conference on Trade and Development (UNCTAD) has leapt ahead of any cautious "rethinking" and calls for a virtual reversal of the whole neo-liberal "edifice." The report contains some of the most alarming warnings UNCTAD has ever issued. And that warning relates, in part, to the near-zero interest rates developed countries are using to try to restart their economies.

There are unintended consequence of low interest rates, says the report: “Alarm bells have been ringing over the explosion of corporate debt levels in emerging economies, which now exceed $25 trillion. Damaging deflationary spirals cannot be ruled out.” And later: “The benefits of a rushed integration into international financial markets post-2008 are fast evaporating. If policymakers fail to mitigate the negative impacts of unchecked global market forces …a significant share of developing-country debt incurred since 2008 could become unpayable and exert considerable pressure on the financial system.”

UNCTAD’s analysis also attacks Western governments’ obsession with austerity which has starved global demand but it more broadly blames “… the entire edifice of liberal market finance…” As far as the UN is concerned this development is the “third leg” of the global financial crisis – the first two being the US housing bubble and the second the EU meltdown. Its solution sounds almost revolutionary according to the London Telegraph: “The world must jettison neo-liberal ideology, and launch a ‘global new deal’ with a blitz of investment on strategic sectors. …a return of the ‘developmental state’, commanding a potent industrial policy, and backed by severe controls on capital flows.”

The report also highlights the fact that global corporations – which designed the neo-liberal Washington Consensus explicitly to reverse the old social contract and the ’development state’ – have failed utterly to deliver on the quid pro quo: their promise of growth and prosperity. The global corporate sector is characterized by management captured by ”activist funds” which focus almost exclusively on shareholder value, the maximum extraction of profit and mergers and acquisitions rather than the reinvestment of their profits “… into production capacity, jobs, or self-sustaining growth.”

This latter criticism describes the Canadian corporate sector in spades. Instead of investing its record profits – and its tax break windfall in the billions – it is sitting on over $600 billion idle cash. But the situation with Canadian corporations is actually much worse than in most OECD countries, particularly compared to their main competitors in the US. In previous columns I have quoted past studies done by Harvard Business School’s Michael E. Porter. He concluded: “The U.S. is just much more entrepreneurial (than Canada)… Research uncovered key weaknesses in the sophistication of (Canadian) company operations and strategy.” He went on to describe Canadian business as cautious and risk-averse, unwilling to spend money on research and development, and addicted to exporting almost exclusively to the US.

Just this past week Deloitte Canada published a report which took Porter’s academic studies a step further by interviewing 1200 Canadian CEOs regarding their willingness to takes risks and invest in the future of their companies. The results of the study – entitled The Future Belongs to the Bold – paint a pathetic picture. The poll concluded: “At a time when Canada needs its businesses to be bolder and more courageous than ever before, almost 90 per cent aren’t up to the task.” The companies fell into one of several categories: 15 per cent of CEOs were “fearful,” 43 per cent were “hesitant,” 30 per cent were “evolving,” and 11 per cent were “courageous.”

The result? “Investments aren’t made. New ideas aren’t explored. And Canadian companies slowly fall further and further behind.” Companies have actually reduced spending on training by 40 percent since the mid-1990s. As Porter earlier observed, where Canadian companies are successful it is mostly due to access to cheap labour and natural resources.

And this week the Conference Board of Canada published an op-ed in the *Globe and Mail* decrying the lack of investment in manufacturing innovation, observing: “…research and development spending in the sector is generally very low. Indeed, investment has been so weak for a number of years that many manufacturing segments have actually become less capital intensive. The result is an erosion in the global competitiveness of Canadian manufacturing.”

Once again we see the folly of placing our economic future in the hands of “fearful” and risk averse CEOs while giving them every possible advantage from suppressed wages, huge tax cuts, and privatization, to deregulation and endless idiotic “trade” deals. Corporate Canada signed a contract and broke it. It should be forced be back to the negotiating table. And this time it should focus on the domestic economy.

The Liberal preoccupation with trade deals looks increasingly ill-considered. In yet another warning about the state of global trade Roberto Azevêdo, the World Trade Organization’s director-general declared : “The dramatic slowing of trade growth is serious and should serve as a wake-up call.” The question for the Trudeau Liberals is what to do if they do wake up. Instead of more oil and gas infrastructure (in a world already awash in both) it should itself be “courageous” and use bold fiscal policy to launch a serious transition away from fossil fuels and at the same time actually take the Paris climate accord seriously. But that would require “rethinking” another neo-liberal policy: the reckless tax cuts for the wealthy and corporations which rob federal government coffers of $50 billion every year.