New Internationalist

THE WORLD UNSPUN

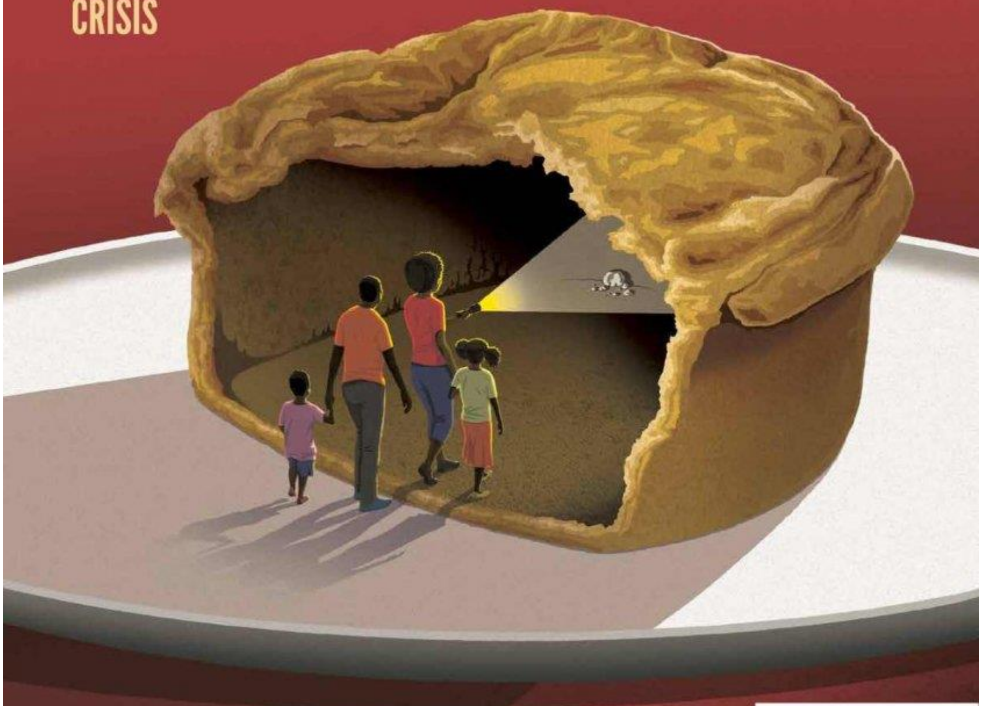
Is it right to send weapons into a conflict?

Points of hope in climate news

Surviving the Lord's Resistance Army

Neoliberalism's body count

WHERE'S OUR SLICE? THE COST OF GREED CRISIS



UK £7.45 | NI 541 January-February 2023

9 770305 952021 01

CONTENTS

THE BIG STORY

ERICK MARCISCANO/REUTERS/ALAMY

THE COST OF LIVING CRISIS

CURRENTS

Stories making the news

REGULARS

https://www.scribd.com/article/615029248/Whodunnit

New Internationalist
THE WORLD UNSPUN

WHODUNNIT?

DEC 17, 2022 1 HOUR

SAVE FOR LATERSAVE WHODUNNIT? FOR LATER

‘This is a perfect storm: climate crisis, debt crisis, cost of living crisis’

‘We’ve got cold extremities, you’ve got a cold heart,’ sang musician Ceitidh Mac at a gig in Newcastle, on the night steep government-sanctioned energy price hikes went into effect in the UK.

The lyrics were apt: ordinary people were being plunged into poverty for the ballooning profits of a handful of corporations.

In blustery Britain with its damp and dilapidated houses – and across gas-hooked Europe – energy prices have dominated headlines. But around the world the greatest impact has been felt in prices of food – a more vital and larger part of people’s budgets, particularly the poorest. In Sri Lanka, where protests spurred by economic crisis felled its President, food inflation stood at 90 per cent in August 2022, leaving even staples like rice unaffordable.[1]

Everywhere the story is the same: more misery for the many, more profits for the few. Through 2022, roughly one million people were pushed into extreme poverty every 33 hours.[2] For 150 million people hunger is a daily reality.[3] But champagne dealers are worried about low stocks, as the wealthy rush to buy their finest bottles.[4]

The hunger crisis has been sharpest in regions particularly impacted by climate change, suffering conflict, or highly reliant on imports of food.[5] Afghanistan, Pakistan, Yemen, Haiti, and several Central American countries are badly hit, as well as much of sub-Saharan Africa. Worst affected are East Africa and the Horn, where Oxfam warned in mid-October 2022 that one person was likely to die of hunger every 36 seconds until the end of the year across Somalia, Ethiopia and Kenya.[6] In Somalia, acute hunger was more widespread than during the 2011 famine, when a quarter of a million people died, it said.

Margret Mueller, Oxfam's regional humanitarian co-ordinator for the Horn and East Africa, enumerates the causes: 'There's the economic impacts of Covid-19, ongoing conflicts and fragility, and climate change that is impacting the region much more strongly than other regions. That led to an unprecedented four consecutive failed rainy seasons.' Rains at the end of 2022 also looked set to be low, meaning the earliest chance to bring in a harvest will be June 2023.[7]

In South Sudan, the majority of the population is acutely food insecure. 'The "food basket"', how much a family spends for food in a month – increased 49 per cent in a year, with local cereal prices up 123 per cent in Kenya, 70-100 per cent in Ethiopia, and 28 per cent in Somalia.'

Without enough food or water, 1.8 million people have fled their homes.[7] The toll of livestock is nine million. 'In Somalia that's every third animal dead,' says Mueller, 'and people live off their herds. People are starving and children are dying.'

Their pound of flesh

For much of humanity the cost of living was already unaffordable even without recent pressures. Nearly 3 billion couldn't afford a healthy diet in 2019, and that number climbed by 112 million in 2020.[8]

Now, on top of high inflation, many are having to deal with a severe debt crisis – affecting both governments and individuals. The pandemic and recent economic turmoil have exacerbated the situation for many Global South countries, where debts had already reached high levels in the late 2010s following a prolonged dip in commodity prices which impacted their earnings.

Hot money from private investors, which had flowed into developing countries over the last decade as interest rates in the rich North hit rock bottom, is now gushing back out as central banks in many Western nations are hiking rates again.

‘Rising interest rates in Western countries are increasing borrowing costs; the strengthening dollar is also increasing the value of debts,’ says Heidi Chow, executive director of campaign group Debt Justice, which estimates 54 countries are in debt crisis. Climate disasters, such as the floods in Pakistan or Hurricane Maria in Dominica, are forcing more borrowing.

High external debts mean many Global South governments are hamstrung in responding to the cost of living crisis, with little room for budgetary manoeuvre to protect their citizens. Many are cutting public spending when people need it most. The International Monetary Fund, for its part, continues to push failed austerity measures as a condition of help (see ‘Structural Adjustment 2.0’, page 25).

Meanwhile high private debt levels – from student loans and mortgages to microfinance loans – as well as the running down of household savings during the pandemic mean many have little buffer. Credit has often filled the gap left by stagnant wages. Now higher interest rates are adding to the pressures people face. ‘This is a perfect storm,’ says Chow. ‘Climate crisis, debt crisis, cost of living crisis.’

Putin’s gas tap

This vast human disaster begs the obvious, trillion-dollar question: why?

For some the culprit for higher prices is clear. As former UK prime minister Boris Johnson put it: ‘We’re paying in our energy bills for the evils of Vladimir Putin, the people of Ukraine are paying in their blood.’[9] Russia’s invasion of Ukraine hit supplies of oil, gas, wheat and sunflower oil, and sent prices soaring, goes the theory.

That Putin is a butcher has been clear since 1999, when soon after appointment as Russian Prime Minister he ordered troops into Chechnya, making a blood-bath of its capital Grozny. It is also clear that following the invasion of Ukraine in March 2022, a previously slow-building crisis went into overdrive. Prices of oil, gas and other commodities soared.

‘I think we should be very clear, the Ukraine war did not cause a decline in the supply of wheat or oil – only fertilizer,’ says Indian economist Jayati Ghosh. ‘The supplies remain the same, they just shifted in their origin. What it did do is enable massive profiteering by large corporations in energy and food, and financial speculation – with a lot of quick bucks to be made.’

Many price hikes were already being seen before the war started. Rupert Russell, film-maker and author of the book *Price Wars*, says energy price rises began in 2021 when China ran into coal shortages, amid disputes with Australia and other mis-steps. Facing its own energy crisis, China started buying up liquefied natural gas (LNG), driving up prices.

Putin’s invasion then pushed gas prices even higher. Europe has been particularly squeezed as the fall-out from the conflict has reduced supplies westward. Gas, unlike other commodities, is tricky to move around as it relies on pipelines – or, much pricier, can be converted to LNG and transported by dedicated ships to dedicated terminals (Germany recently spent $6.7 billion to rent five).[10]

By relying on Russia’s supplies for 20 years after Grozny, Europe left itself vulnerable. But the broader dependency that recent price hikes have exposed worldwide is on *all* fossil fuels. Governments have been too slow to build up alternative energy sources and cut our need for hydrocarbons.

Advocacy group Positive Money argues that much of the recent energy price hikes have been down to this 'fossilflation' (see 'Pushing against the perfect storm', page 35). 'Something like the war in Ukraine or the Organization of Petroleum Exporting Countries (OPEC) cutting production, that can have a substantial effect on our ability to heat our homes, but also to power pretty much everything we do,' argues senior economist David Barmes. 'Energy is a significant input into the production, transport and consumption of virtually all of our goods and services.

'On top of that, fossil fuels are also driving the climate crisis, which is causing heatwaves, droughts and floods across the globe. And that in turn is threatening global food production, and so increasing the prices we pay at the supermarket.'

Follow the money

But rightwing politicians and corporate bigwigs prefer to pin it on the workers. Government stimulus spending during the early stages of the pandemic has led to inflation, or so the theory goes (see 'Busted – 3 myths about inflation', page 32). Depending on the version, too much money creation ('quantitative easing') and too little unemployment – giving workers leverage to demand higher wages – is causing knock-on price rises.

No matter that this ignores clear sector-specific price hikes in energy, fertilizers and food – as well as the absence of any sign of above-inflation wage rises.[11] And of course we can't discuss the elephant in the room: profit margins. In the US, which saw the largest stimulus spending, 50-60 per cent of inflation has been attributed to fatter domestic profit margins.[12] Still, the prescription remains: reduce the availability of money, mainly through raising interest rates, discouraging borrowing and lending.

'Increasing interest rates can't solve shortages of fossil fuels or anything else that we have shortages of, like microchips, and in some ways can actually be counter-productive because it can hold back investment,' says Barmes. 'In particular, if you're thinking about capital-intensive solutions like investment in green energy sources. Here higher interest rates can have a disproportionately negative impact. They could harm investment in green energy which is exactly what we need.'

Ghosh adds: 'You know it's a cost driven inflation, or rather a profit-driven inflation, not a wage-driven inflation. Real wages are actually falling and yet you don't address that cause. You say, well I'm going to impose tight money policy, push demand down and basically affect working-class incomes. Not only does that create further inequality, it does not affect the causes of the inflation.'

The cost of profit crisis

For a better understanding of the crisis we have to look at where wealth and power lie, at how the functioning of markets enables extraordinary profits for some and sudden squeezes for others. It's no coincidence that corporate profit margins reached a 70-year high as inflation spiked.[13]

Speculation has gone into Wild West mode since US legislation in 2000 removed regulations restricting the involvement of outside financial investors – those without a direct role in the trade of physical goods – in commodities markets. Soon, speculators who had never been near an actual barrel of oil or bushel of wheat – and had no direct knowledge or stake in its trade like, say, farmers – were dominating markets, which took on the character of casinos. Wild market swings became the norm.[14]

Take cereals, where prices have been ding-donging in recent years at the behest of hedge-funders and futures contracts rather than actual supply, which hardly changed.[15]

Previous food price spikes between 2008 and 2011 saw similar patterns, again with no evidence these were driven by actual supply.[14] But the havoc they wreaked was all too real, contributing to the unrest of the Arab Spring.

'While it's contentious whether or not financial speculation affects commodity prices in the longer term, there's a growing amount of evidence that in the short term it does amplify swings,' says Susan Newman, head of economics at the Open University. 'That's telling us a bit about what's happening today: these big supply-side shocks, together with their amplification through financial markets.' But smaller-scale producers, like farmers, have seen little benefit from recent price spikes – in 2022, they saw drops in income as input costs rose.

> For many dominant companies the role of costs in setting prices is limited - or even absent. Instead, they set prices to maximize revenue: 'in other words, how much can you get away with'

Another piece of the puzzle is the outsized power of a small number of very large firms – oligopolies – who can collectively push up prices within their sectors. Chris Hayes, senior data analyst at the Common Wealth thinktank, mentions US research from economic activist group the Groundwork Collaborative, revealing CEOs talking to investors about using the current moment to raise prices simply because they can – seeing widespread inflation as an opportunity to pad their margins.

Hal Singer, a US economics professor and anti-trust expert who teaches advanced pricing, says inflation can 'serve as a focal point' for companies to push their prices up 'in unison' – whether or not there is explicit collusion.[16] His research found that the 'most highly concentrated industries were the source of the biggest price hikes in 2021'. That means big trouble, he argues, given how concentrated many markets have become. Take oil and gas, dominated by a handful of corporations, and petro-states with their own cartel OPEC – the top seven private oil firms made $173 billion in the first nine months of 2022.[17]

Singer argues that for many dominant companies the role of costs in setting prices is limited – or even absent. Instead, they set prices to maximize revenue: 'in other words, how much can you get away with'. Because worker power 'has been completely demolished', so has the relationship between unemployment and inflation.

These inequalities of wealth and power mean many smaller businesses are also losing as monopoly capitalism concentrates itself, like an endlessly growing black hole. 'The businesses that are losing are probably the ones that employ the most people,' says Chris Hayes. 'The ones that are winning are very capital heavy, companies with very small wage bills.' Meanwhile the exorbitant profits of the behemoths are being funnelled straight to shareholders. 'It comes back to this rentier capitalist angle: there are some people that own scarce resources and are able to squeeze the rest of us.'

Inequality bites back

Thus the current crisis is one not of absolute shortages, but of *prices* – the problem is one of distribution, of goods and wealth, power and energy.

‘Everyone seems to be hurting except those who are very privileged. It’s disproportionately affecting those who are already living in quite difficult circumstances,’ says Mandeep Tiwana, Chief Programmes Officer at Civicus, a global civil society alliance dedicated to strengthening citizen participation. As with the pandemic, racialized groups, women and disabled people, low paid and precarious workers are hit hardest. For some groups, like renters, price hikes have been the norm for decades.

While it has been exacerbated by recent events, Tiwana says, ‘the cost of living crisis is something that was already happening.’ He highlights trends including the ‘erosion of constitutional democracy… and the negative impacts of ultracapitalism and the privatizing of everything’.

Privatization means people are exposed to the markets and price-gouging for many of the essentials of life. ‘Neoliberal economic discourse leads to many states outsourcing their social responsibilities,’ Tiwana says, adding that this is a consequence of a ‘tight overlap between political and economic elites’.

Meanwhile Newman joins the dots between the growing exploitation of workers in the Global South to make ‘cheap things’ with ‘stagnant wages and low productivity in the Global North – the availability of credit and cheap stuff, which has allowed the sustaining of this low wage, low productivity economy’. But, she argues, the limits have now been reached: ‘environmental and physiological, and also political. Workers will organize, and you can’t repress labour indefinitely without some sort of response.’

There are alternatives

As Oxfam put it, during a report timed for 2022’s Davos conference, a forum for the world’s rich and powerful: ‘Nobody should live in poverty; nobody should live with such unimaginable billionaire wealth; inequality should no longer kill. More equality is the way out of this crisis.’[2]

Here are five steps to help us get there.

First, we need taxes, particularly on wealth, and redistribution to help society’s poorest through direct financial support and public services. Taxes can tackle inequality and discourage profiteering (and possibly, by taking money out of circulation, reduce demand – which orthodox economics suggests should help reduce inflation). A progressive tax of between just two and five per cent on personal wealth above $5 billion (itself a fortune that nobody *needs*) could generate $2.5 trillion, lift 2.3 billion people out of poverty, vaccinate the world against Covid-19, fund universal healthcare and provide social protection for 3.6 billion people.[2] International measures to prevent tax avoidance, which particularly harms poor countries, will also be vital.

Second, expanding public services to support people, and reduce the reliance on markets for essentials, is vital. Right now, that needs to include public ownership of energy, including electricity generation and networks – tackling windfall profits and speeding the green transition (see NI 537 on Big Oil). It could also include what the New Economics Foundation has called 'Universal Basic Energy' – entitling households to a limited free allowance of energy for basic needs. Free public transport, now being tried around the world, could help cut energy use.

Third, restrictions on commodity speculation need to be restored – the poor shouldn't have to pay the price for the bets of financiers. 'We need to take control of a financial system that sets its own rules,' says Nick Dearden, director of campaign group Global Justice Now. In the US some Democrats have been pushing for this, but the UK government is looking to deregulate even further.[18] Monopoly power needs breaking up, using taxes and regulation, and more aggressive action needs to be taken against implicit as well as explicit forms of price collusion.

Fourth, we need targeted price controls – although economists and the political class are not keen on these because they interfere with profits. This is especially important during supply bottlenecks which provide opportunities for profiteers – as with recent lockdowns and shipping logjams, that have affected goods like microchips. These circumstances enable companies to hike prices without the fear that competitors will take away their market share, as economist Isabella Weber has argued.[19] Temporary price controls should be accompanied by investment to address bottlenecks, for example by an expansion of agro-ecological farming to move away from fossil fertilizers.

Fifth, debt cancellation, which is 'urgent to save lives', according to Lidy Nacpil, co-ordinator of the Asian People's Movement on Debt and Development. 'It is deeply unjust that while millions of people need healthcare and financial support, private lenders like banks and hedge funds continue to rake in profits.'[20] Legal changes in England and New York are urgently required to prevent a minority of hold-out creditors blocking deals. 'When you have private bondholders it's extremely complicated to get a reduction,' says Ghosh, explaining that a small number of hold-outs can prevent debt-restructuring agreements. 'This is where the US and the UK are crucial because 90 per cent of all global debt contracts are held either in the City of London or on Wall Street.'

This moment of danger

The cost of living crisis is showing little sign of easing – recession threatens across the West with rising interest rates, and debt crises will extract a severe toll in the Global South if unaddressed. The conditions are ripe for the wrong kinds of change.

'The rise of rightwing populism around the world is the result of the fact that more and more decisions about our economy and our lives have been handed over to market mechanisms,' says Dearden. 'So just like in the 1920s and 1930s in Europe, when you had people reaching out for whatever they [thought] could protect them, whether fascism, communism or whatever – you see very similar dynamics today.

'Unless you address the inequality at the heart of that, which means serious restructuring of some of the economic benefits of the last 40 years, then I would have thought very serious conflict is unavoidable.'

Newman believes that now more than ever, it's time to organize for change, internationally as well as locally. 'If we look at every successive crisis since the 1970s,' she says, 'the restructuring of capital has been such to keep things going and to allow the majority of people to have just enough to get by. I think that's really reached its limit now.'

Building hope

Core to the fightback will be telling better stories about the causes of this crisis and its solutions – ones you won't hear in corporate and billionaire-owned media. As will building the collective power of ordinary people around the world to demand that essential goods are provided as a right, not through a failed market.

In Ecuador huge mobilizations by Indigenous groups, including roadblocks and the forced shutdown of oil fields, have won fuel price cuts and restrictions on mining and oil drilling. Trade unions are gaining a foothold in the most hostile places – like Amazon warehouses and Apple stores in the US and Britain. A wave of strikes is sweeping the world despite heavy repression, including general strikes in South Africa, Greece and India. Payment, rent and debt strikes are also leveraging economic power to force the hands of the powers that be.

On the Wyndford Estate in Glasgow, for example, the residents' union forced energy executives into a price freeze for 10,000 customers.[21] In the US, groups like the Debt Collective, a debtors' union, have won billions of dollars in student debt cancellation. We can also look to the successes of previous movements, like the mass resistance to the installation of water meters in Ireland or the poll tax boycotts. Tiwana finds hope in youth movements: 'Young people have the most to suffer from the climate crisis. They seek to advance climate justice, they talk about race justice, economic justice, human rights.'

Strategic campaigns for state action will be crucial as we face the hard days ahead, but so too will other forms of solidarity, building supportive community power (such as the mutual aid groups of the pandemic) and organizing political actions to win change.

‘In a crisis like this, it’s more important for someone to heat their home than heat their swimming pool,’ says Hayes. Or one could say: it’s more important to allow everyone to be able to eat, than to allow corporations to devour bumper profits. Or if another reminder is needed that this crisis is also a planetary crisis, here’s a fact: each billionaire is responsible for emissions a million times higher than anyone in the poorest 90 per cent.[22] The cost of living crisis, like the climate crisis, is a crisis of inequality. Is now not the time to say – is enough not enough?

1 World Food Programme, ‘Sri Lanka: Rising prices reduce access to food for millions’, August 2022, nin.tl/3XyC2xH **2** Oxfam, ‘Profiting from Pain’, 23 May 2022, nin.tl/ProfitingPain **3** Integrated Food Security Phase Classification, ‘IPC-CH Dashboard’, updated in real time, nin.tl/3OBTw8E **4** Rupert Neate, ‘Firm behind Moët hails new “roaring 20s”… ’, *The Guardian*, 15 November 2022, nin.tl/3ibmwHQ **5** Integrated Food Security Phase Classification, ‘IPC mapping tool’, nin.tl/3gCdmnl **6** Oxfam, ‘Hunger likely to claim a life every 36 seconds in East Africa crisis…’, 14 October 2022, nin.tl/3tY0UBr **7** Joint Statement, ‘Immediate global action required to prevent famine in the Horn of Africa’, 7 November 2022, nin.tl/3tZbxUA **8** Food and Agriculture Organization, ‘Cost and affordability of a healthy diet: an update’, 2022, nin.tl/3g6JOOC **9** Channel 4 News, ‘Johnson: Ukraine is paying in their blood for evils of Putin’, 24 August 2022, nin.tl/3iezB38 **10** Nikolaus J Kurmayer, ‘Twice as expensive: The high cost of Germany’s floating LNG terminals’, Euractiv, 21 November 2022, nin.tl/3XrDEtj **11** Jeff Cox, ‘Inflation has taken away all the wage gains for workers and then some’, CNBC, 10 November 2021, nin.tl/3OzyuHz **12** Analysis of non-financial corporates. See: Josh Bivens, ‘Corporate profits have contributed disproportionately to inflation…’, EPI blog, 21 April 2022, nin.tl/3V5UcFu. See also reference 13 **13** US figures. Matt Stoller, ‘Corporate profits drive 60% of inflation increases’, BIG, 29 December 2021, nin.tl/3gxGWdZ **14** Rupert Russell, ‘Wall Street Is Mostly to Blame for Rising Commodity Prices’, *Jacobin*, 8 December 2022, nin.tl/3Xd7dPf **15** Food and Agriculture Organization, ‘Cereal Supply and Demand Brief’, 4 November 2022, nin.tl/3V5hqvi; Food and Agriculture Organization, ‘FAO Food Price Index’, 4 November 2022, nin.tl/3U6y6RW **16** Lynn Parramore and Hal Singer, ‘How corporations “get away with murder” to inflate prices…’, Institute for New Economic Thinking, 19 October 2022, nin.tl/3XvucF7 **17** Jasper Jolly and

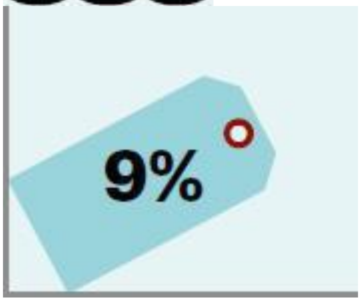
Jessica Elgot, 'Profits at world's seven biggest oil firms soar…', 27 October 2022, *The Guardian*, nin.tl/3O4edtk **18** Jonathan Larsen, 'Democrats Eye Wall Street Rule to Fight Inflation', TYT, 14 June 2022, nin.tl/3GK9SKg; Global Justice Now, 'The Financial Services and Markets Bill: a speculator's charter', 1 September 2022, nin.tl/3i9mOz8 **19** Isabella Weber, 'Could strategic price controls help fight inflation?', *The Guardian*, 29 December 2021, nin.tl/3EGSaVk; Odd Lots podcast, 'Isabella Weber On Germany's Plan to Cap the Price of Gas', Bloomberg, 10 November 2022, nin.tl/3V5WcgY **20** Asian People's Movement on Debt and Development, 'Civil Society steps up call for debt cancellation', 17 October 2020, nin.tl/3u3zvyd **21** Coll McCail, 'Liz Truss's bosses' bailout won't solve the energy crisis – but people power still can', September 2022, *New Internationalist*, nin.tl/3OyJ1Tv **22** Includes investments. Oxfam, 'Billionaires responsible for a million times more greenhouse gases than the average person', 7 November 2022, nin.tl/3AKlHfU ■

COST OF LIVING THE FACTS

DEC 17, 2022 8 MINUTES

SAVE FOR LATERSAVE COST OF LIVING THE FACTS FOR LATER

INFLATION



9% average worldwide rise in prices, 2022.[1]

14.5% rise in prices of food and drinks in the UK, 2022.[2]

9 poor countries, including Pakistan and Ethiopia, expected to pay **3x more** for fertilizer imports in 2022 than in 2020.[3]

9 of the world's largest fertilizer companies on course to make **$57bn profit**, up fourfold over the period.[3]

POVERTY AND HUNGER

263m people were likely to have been pushed into extreme poverty in 2022 – **1 million** every 33 hours.[4]

702m people affected by hunger in 2021, a **150m increase** from 2019. These numbers reflected income losses during the Covid-19 pandemic, not actual foodshortages.[5]

3.1bn people **could not** afford a **healthy diet** in 2020, a 112m increase on the previous year.

Increases were seen on all continents, but were starkest in Asia – 78m more – and Africa – 25m more.[6]

43m people at **risk of famine** or a severe hunger crisis.

45% of deaths of children under 5 are linked to **undernutrition**.[7]

DEBT

$43bn debt servicing for the world's poorest countries in 2022.

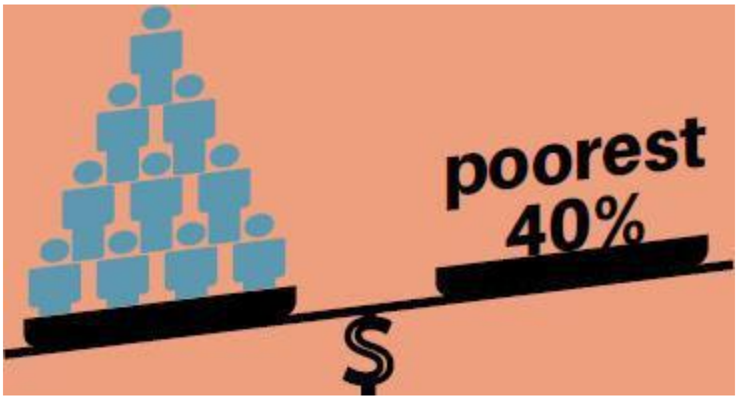
This could have covered ½ their food import bills and health spending.[4]

People in **54 countries** are currently living in debt crisis.[8]

87% of Covid-19 loans made by the IMF required countries to **adopt austerity** – despite admitting that this increases unemployment and inequality.[4,9]

PROFIT AND INEQUALITY

The 10 richest men have greater wealth than the poorest 40% of humanity.[4]



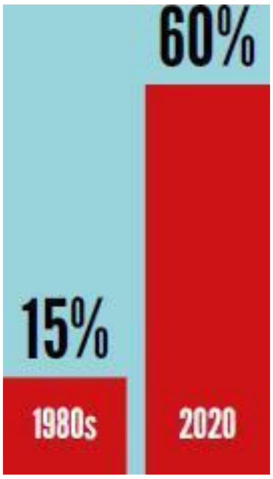
Their **wealth gains during the pandemic** could pay to vaccinate the entire world, plus fill finance gaps in education, healthcare and social protection.[4]

Billionaires saw their wealth increase as much in **24 months** after the pandemic began than in the preceding **23 years**. In the food and energy sector, their fortunes increased by **$1bn every 2 days**.[4]

$180bn The world's 7 biggest oil firms made **$180bn profit** in the first 9 months of 2022.[10]

Since **1980** workers' share of global income has fallen equivalent to taking **$2,000** from every worker's annual paycheck.[11]

Average price markups have risen from 15% above costs in the 1980s to 60% today.[11]



1 IMF, 'World Economic Outlook (October 2022)', nin.tl/IMF-outlook-2022 **2** Al Jazeera, 'UK inflation jumps back above 10 percent as food prices soar', 19 October 2022, nin.tl/UK-inflation-jumps-2022 **3** GRAIN & IATP, 'The Fertilizer Trap', November 2022, nin.tl/GRAIN-fertilizer-trap **4** Oxfam, 'Profiting from Pain', 23 May 2022, nin.tl/ProfitingPain **5** FAO, 'Food Security and Nutrition Around the World 2022', 2022, nin.tl/food-security-nutrition-2022 **6** FAO, 'Cost and affordability of a healthy diet: an update', 2022, nin.tl/affording-healthy-diet-2022 **7** Action Against Hunger, 'World Hunger Facts – Action Against Hunger', nin.tl/WorldHungerFacts **8** Debt Justice, 'Countries in Crisis', nin.tl/countries-debt-crises-2022 **9** Grieve Chelwa, 'Is it too late now to say sorry?', Africa is a Country, May 2016, nin.tl/IMF-too-late-say-sorry **10** Jasper Jolly & Jessica Elgot, 'Profits at world's seven biggest oil firms soar to almost £150bn this year', *The Guardian*, October 2022, nin.tl/oil-profits-soar-150bn **11** The Balanced Economy Project, 'The Counterbalance: an anti-monopoly newsletter', March 2021, nin.tl/monopoly-soars-workers-share-drops ■

New Internationalist
THE WORLD UNSPUN

STRUCTURAL ADJUSTMENT 2.0

DEC 17, 2022 41 MINUTES

SAVE FOR LATERSAVE STRUCTURAL ADJUSTMENT 2.0 FOR LATER

DECOLONIZE HOW?

In November 2020 Zambia became the first African country to default since the pandemic, after missing a repayment on its $17 billion foreign debt.[1] Fast forward to August 2022 and the country has signed up for a $1.3 billion loan from the International Monetary Fund (IMF), with stringent conditions, and has entered talks on debt restructuring.

As people struggle with price hikes, Zambia's government is just one of many in the Global South facing crisis as the cost of servicing debts rockets. The US dollar, in which most foreign debts are denominated, is strengthening, while capital is draining out of the Global South, attracted by rising interest rates in wealthy nations. Countries are being pushed back into the arms of the IMF, despite its notorious history of imposing 'structural adjustment' (read austerity and privatization) policies.

Today the conditions the IMF lays down are no longer branded as structural adjustment, but are they so very different? And can the IMF offer any real answer to the build-up of unsustainable debts which then prevent governments from protecting and supporting their citizens?

The austerity diet

Debt payments are at their highest since 2001, according to the campaign group Debt Justice. The factors are complex – as well as recent monetary policy changes, dropping commodity prices from around 2014 have hit export earnings for many countries in the Global South. The pandemic caused economic chaos. Since the Ukraine war, the increased cost of key goods – food, fuel and fertilizer – has made imports dearer.

In Zambia's case, the economy is heavily dependent on copper exports. In recent years prices were low (although they have risen again from late 2020), leading to a depletion of foreign currency reserves in order to fund imports. The Zambian economy contracted by five per cent in 2020, pushing its growing government deficits, and debt, to crisis point.[2]

In return for the $1.3bn loan and support for debt restructuring, the IMF has called for – no surprise – austerity measures. The goal that has been set is to turn the current deficit of 6 per cent of GDP to a 3.2 per cent surplus by 2025. IMF managing director Kristalina Georgieva, said this would 'require a sustained fiscal adjustment' with the plans focusing on ‘eliminating regressive fuel subsidies, enhancing the efficiency of the agricultural subsidy programme, and reducing inefficient public investment’. Sound familiar?

She said the plans would also require increasing ‘domestic revenue’ – the IMF wants electricity subsidies to be cut and tariffs to increase, and Value Added Tax (VAT) to be levied on more goods.[3] Meanwhile Zambia has passed legislation at the IMF’s urging to strengthen borrowing controls and transparency, including requiring parliamentary approval for future loans.

> ‘You cannot read the IMF deal and say, “we’re entitled to our own affairs”. Because it will tell you that “you should do this by this date”. What is that, if not neo-colonialism?’

Zambian economist and researcher Grieve Chelwa shudders when he thinks of what will become of the country after the IMF is done. He tells *New Internationalist* the bailout would rob vulnerable citizens of even the little that was available to them. ‘You cannot read that deal and say, “we’re entitled to our own affairs”,’ says Chelwa. ‘Because it will tell you that “you should do this by this date”. What is that, if not neo-colonialism?’

Many, like Chelwa, have argued that the way the IMF and its sibling the World Bank relate to recipient countries – generally in the Majority World – continues and builds on an earlier, colonial tradition. In the late 19th century, what is now Zambia was invaded by the British South Africa Company. The company used the region as a source of cheap labour until 1924, when the British government formally annexed it and turned it into a valuable source of copper-mining income.[4] In the 1960s, along with many other Global South states which were colonized by European powers, it gained independence.

However, unequal terms of global trade persisted. Majority World states became reliant on low value exports of raw commodities for foreign currency earnings, while former colonial powers, and institutions dominated by them like the IMF (where richer countries get more votes), have pressured them against using state spending and regulation to develop.[5] Many states soon found themselves saddled with high debts to the Global North, and stringent loan conditions. Meanwhile no reparations were made for resources extracted and damage done during the era of formal colonialism.

'The IMF will talk about austerity, about structural adjustment, retrenchment, reduction in expenditure,' Chelwa adds. 'These policies end up weakening the state. And we know from history that to develop, you need to have a strong state… [to build] infrastructure, hospitals, schools, regulate the economy, etc.

'The IMF's policies do the opposite. They'll tell you things like "reduce expenditure on this aspect of the state, the state should roll back". These policies undermine state and industrial capacity.'

If at first you don't succeed

IMF austerity measures are not new to Zambia. In 2013, the Fund advised the Zambian government to keep its public wage bill under eight per cent of GDP. The government obliged by freezing and decreasing salaries.[6] Wage 'caps' were introduced, a move that limited, among others, the capacity of teachers' unions to negotiate for better and improved salaries and conditions of service. This contradicted the IMF's stated commitment to improving education access.

It's not as if this belt-tightening has helped. Since 2013, Zambia's public debt has risen dramatically, causing ever-escalating debt repayments which crowded out critical social sector spending. From 2018 to 2021, debt repayments rose from 20 to 38 per cent of Zambia's national budget. Meanwhile education and health spending dropped from 16 and 10 per cent to 12 and 8 per cent respectively.[7]

It is too soon to gauge the full effects of Zambia's latest compact with the IMF. The latest budget plans are premised on successful negotiations with creditors – the 2023 national budget foresees restructuring of external debt leading to payments reducing from K51.3 billion ($3.1 billion) in 2022 to K18.2billion ($1.1 billion) in 2023, a reduction of K33.1 billion ($2 billion). That has created more room for social spending: the education budget has increased by 28.9 per cent, the health budget by 25 per cent and social protection by 28.5 per cent.[7] So far the government has resisted VAT increases, opting for other revenue measures such as increasing property transfer tax from 5 to 7.5 per cent.

Still, the impact of fuel subsidy cuts and other revenue raising measures on poverty levels is unlikely to be positive. Meanwhile the results of debt restructuring efforts are yet to be seen, with the country seeking cuts of nearly half of the debt's present value, with support from the IMF and World Bank.[8]

Spreading misery

That austerity measures do untold damage to citizens without solving debt is a truism equally applicable to the Global North. Consider Greece, which came close to default after the 2008 financial crisis. Steep spending cuts and tax rises were imposed as the conditions of emergency loans from the European Union and the IMF.[9] Unemployment rose to 25 per cent as a result, including half of all young people.

Today Greece remains in an economic fix, and by the time it exited its third bailout programme in 2018, its economy had shrunk 25 per cent, its debt-to-GDP ratio had increased from 160 to 180 per cent of GDP and unemployment stood at 20 per cent.[10]

Despite continuing to require austerity, the IMF has also admitted it causes harm. An essay it published in 2016 acknowledged that cuts equating to one per cent of GDP on average increased unemployment by 0.6 percentage points long term and raised income inequality by 1.5 per cent within five years.[11]

Bring in the auditors

Some governments or civil society groups have carried out audits, investigating debts to assess their legitimacy. They are a useful tool to provide transparency with regard to borrowing – and leverage for governments. In 2007, following pressure from campaigners, the Ecuadorian government appointed an expert committee to investigate its foreign debt. The results were alarming, with discoveries of illegally contracted loans with questionable benefit. The government responded by suspending interest payments on $3.2 billion of Wall Street-traded securities in November 2008, causing the price of Ecuador's bonds to plummet on international markets, with speculators selling them off in the belief that default was likely.

Ecuador manoeuvred itself out of the mess by secretly buying back part of the debt at cheaper prices, paving the way for a large amount of debt cancellation. In June 2009, 91 per cent of bond-holders accepted a deal for the country to buy the debt back at 35 per cent of face value, ultimately saving the country around $7 billion including avoided interest payments.[12]

If the system's broke…

One problem that has emerged in recent years is the increased role of the private sector, now accounting for nearly half of developing countries' debts. Private lenders often refuse to participate in debt restructuring, which can scupper the whole process, as states are reluctant to accept reduced repayments if this simply means the money will be diverted to private bondholders.

Activists have argued that as the legal systems of England and New York govern more than 90 per cent of international lending, they should change their laws to require private lenders to accept write-downs – for example where restructuring schemes are agreed by a majority of creditors. They point out that changes were previously made by the UK Parliament in 2010 to enforce the Heavily Indebted Poor Countries (HIPC) initiative, which cancelled debts.

'The English jurisdiction and the New York jurisdiction are designed to favour the creditors rather than the borrowers, and therefore the possibility of getting any sort of fair outcome is quite unlikely,' said African Forum and Network on Debt and Development (AFRODAD) Executive Director Jason Braganza, emphasizing the need for change. He added that many African governments did not have resources for expensive, lengthy legal cases.

In Zambia's case, the investment giant BlackRock is its largest bondholder with $220 million, which it bought at rock-bottom prices. Due to the high interest, it could make 110 per cent profit, according to the campaign group Debt Justice.[13] 'It is imperative that BlackRock and other bondholders agree to fully engage in a large-scale debt restructuring, including significant haircuts to make Zambia's debt sustainable,' 100 economists and development experts wrote in an open letter.[13]

All change not small change

Debt cancellation has done wonders for some countries to free up resources for vital social spending. In the late 1990s, Ghana was drowning in $4 billion of debt, and became a beneficiary of the HIPC and Multilateral Debt Relief initiatives.[14] In 2000, debt servicing accounted for 80 per cent of domestic revenue but through the schemes, this was lowered to 27 per cent in 2006, freeing up resources to finance poverty reduction and economic development. This allowed Ghana to abolish primary school fees, increasing the enrollment of pupils to 92 per cent that year.

Zambia also qualified for relief, enabling it to scrap fees for antiretroviral drugs in 2005, which remain free to date. HIV infection rates have been significantly lowered as a result. However, in neither case was partial cancellation a full debt solution. Ghana returned to the IMF for help in 2022, with debt levels back up to nearly 80 per cent of GDP.

The IMF's insistence on austerity to pay off international lenders sees it replicating colonial era power dynamics and patterns of resource extraction. Experience in Zambia, Greece and elsewhere shows it is disastrous for citizens, while failing to resolve indebtedness. For real solutions we must look elsewhere: possible strategies include debt audits to highlight questionable debts and gain leverage for negotiations. More widely, debt cancellations and legal changes to bringing private lenders in line with write-downs will be crucial. But such strategies will still be limited as long as the international system and terms of trade continue to keep formerly colonized countries poor.

ZANJI VALERIE SINKALA IS A FREELANCE INVESTIGATIVE JOURNALIST FROM ZAMBIA. SHE CURRENTLY WORKS AS COMMUNICATIONS & INVESTIGATIONS OFFICER AT TRANSPARENCY INTERNATIONAL ZAMBIA.

This project was funded by the European Journalism Centre through the Solutions Journalism Accelerator. This fund is supported by the Bill & Melinda Gates Foundation.

1 Reuters, 'Zambia owes nearly $27 billion in foreign and local public debt', October 2021, nin.tl/3AgeiEv; Nosmot Gbadamosi, 'Is China responsible for Zambia's debt crisis', *Foreign Policy*, September 2022, nin.tl/3ELBY6J **2** African Development Bank, 'Zambia Economic Outlook', nin.tl/3GumftE **3** Grieve Chelwa, 'IMF Deal: Cry, My Beloved Zambia', Africa Watch [personal blog], 7 September 2022, nin.tl/3tAMVla **4** Encyclopedia Britannica, 'British South Africa Company', nin.tl/3O9YWr0 **5** International Monetary Fund, 'IMF Quotas', October 2022, nin.tl/3Gl8ltS **6** Gideon Bulwani, 'The impact of IMF policies on the public service wage bill in Zambia', Education International, 22 April 2022, nin.tl/3UOIDCI **7** National Assembly of Zambia, '2023 Budget Address…', September 2022, nin.tl/3UVcHN2; National Assembly of Zambia. '2022 Budget Address…', October 2021, nin.tl/3hSnloW **8** Rachel Savage, 'Zambia's bondholders slam IMF debt relief targets as "arbitrary"', Reuters, 15 September 2022, nin.tl/3g8wzwO **9** Kimberly Amadeo, 'Greek debt crisis explained', The Balance, May 2020, nin.tl/3tzH1R7 **10** Council on Foreign Relations, 'Timeline: Greece's debt crisis', nin.tl/3E9VUyx **11** Jonathan D Ostry, Prakash Loungani, and Davide Furceri, 'Neoliberalism: Oversold?', *International Monetary Fund – Finance & Development*, Vol. 53, No.2, June 2016, nin.tl/3THGHuh **12** Debt Justice, 'Ecuador', nin.tl/3THGUO5; Eric Toussaint, 'Ecuador: Resistance against the policies imposed by the World Bank…', Committee for the Abolition of Illegitimate Debt, April 2021, nin.tl/3TIBbYb **13** Committee for the Abolition of Illegitimate Debt, 'Over 100 experts call on BlackRock to cancel Zambia's debt', 17 September 2022, nin.tl/3V4tsEP **14** Adu Owusu Sarkodie, 'Ghana's debt makes development impossible: here are some solutions', The Conversation, 20 February 2022, nin.tl/3OaDcey ■

Related Interests

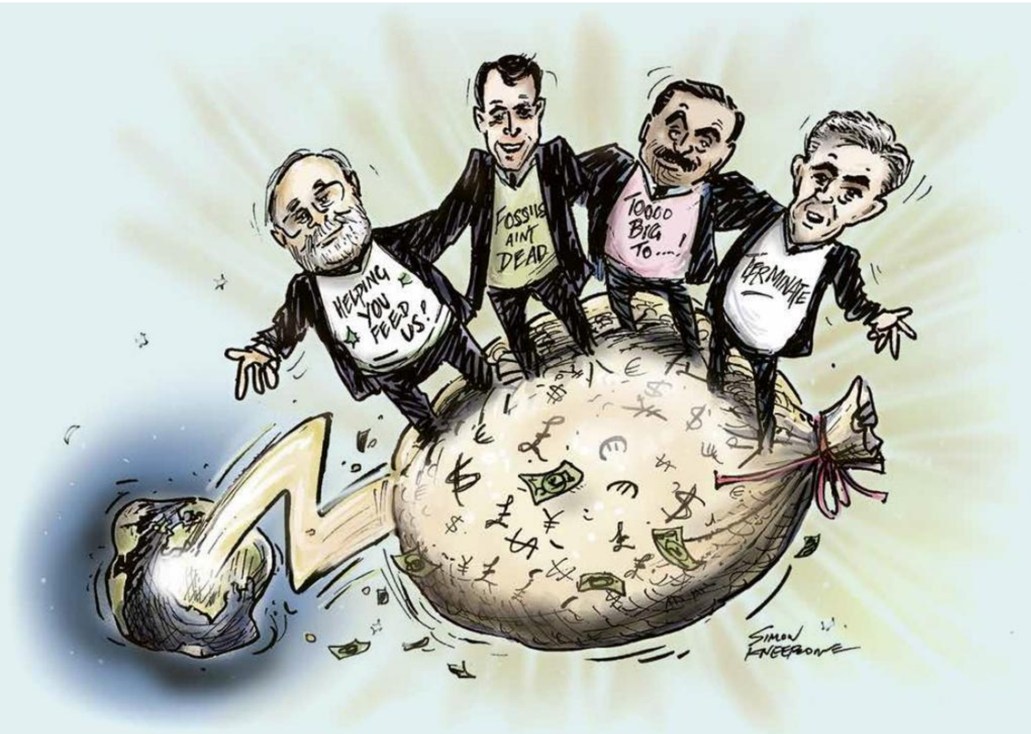
- International Monetary Fund
- Austerity
- Structural Adjustment
- Debt
- Economies

New Internationalist
THE WORLD UNSPUN

WEALTH SAFARI

DEC 17, 2022 20 MINUTES

SAVE FOR LATERSAVE WEALTH SAFARI FOR LATER



It’s not all doom and gloom in the world today.

Sure, billions of low-and-middle income people are struggling to keep up with rising food, energy and housing costs. But it’s boom time for billionaires and the super-rich.

The number of ultra-high net worth individuals – those with $50 million or more – hit a record 218,200 last year.[1] And at 2,668, there are 573 more billionaires in the world today than in 2020, their combined wealth equal to nearly 14 per cent of total global GDP.[2,3]

How have they done it? With a bit of help.

Disruptions in supply chains provide great opportunities for speculation by those with mega bucks. And remember that $9 trillion fiscal stimulus that central banks unleashed during the pandemic? Well, much of it went into the financial markets, and from there straight into the pockets of the super-rich.[3]

So, let's meet some of them. They can show us that as long as the system's right (and for them it really is) there are eye-popping profits to be made from growing inequality – and the pain and immiseration of others.

THE CARGILL FAMILY

Every bite you eat…

James Cargill II is one of 12 billionaire heirs to the giant food corporation Cargill Inc. As the UN reported a devastating rise in global food prices, Cargill posted a record 63 per cent increase in profits, which rose to $5 billion in 2021. In 2022, these were expected to be even higher.

Rosy-cheeked James, aged 73, saw his own net worth swell accordingly, from $2.7 billion in 2020 to $5 billion in 2022.[4] Brother Austen and sister Marianne kept pace, with all three joining Bloomberg's Billionaire Index of the 500 richest people alive.[5]

Don't expect the Cargills to spill the beans on their money-making ruses though. The 'famously quiet' family keep a 'low profile' on their various ranches in Wisconsin and Colorado. But the modus operandi of the corporation they 90-per-cent own is all about 'aggressive consolidation' rather than reticence. Result: you can barely move without encountering some Cargill ingredient, product or service, ranging from wheat, meat, poultry, oils, starches, animal feed, transport, steel, pharmaceuticals, to, crucially, commodities-trading financial services.

Cargill's record on labour relations and pollution, meanwhile, is lamentable.[6] Still, the company website insists: 'Cargill is helping the world's food system work for you.' Well, it sure is working for them…

BERNARD LOONEY

BP's 'company man'

Bernard Looney is CEO of energy giant BP. He may not be a billionaire just yet, but the Irish-born oil- and-gas chief won't be struggling to pay *his* energy bill. He saw his salary double in 2021 to $5 million and he was tipped to trouser another $13.2 million in 2022.[7] The rise in fuel costs that is causing hardship worldwide has turned BP into 'a cash machine' – to use Looney's expression – with profits tripling to $8.45 billion in just three months following Russia's invasion of Ukraine.[8]

There was a tricky moment in February 2021, when Looney had to come off the board of Russian state-owned Rosneft and BP divested from the sanctioned energy giant. But as the bombs and missiles keep falling on Ukraine, BP shareholders – mainly big US investment funds – can console themselves with the knowledge that their share values are rising.[9]

Self-avowed workaholic and 'company man', Looney likes to talk about 'greening' BP away from fossil fuels. The reality, in terms of real investment, has been less forthcoming.[10] The trendy 52-year-old is also a bit of a whizz on social networks – reportedly using WhatsApp to inform his then-wife, to her surprise, that he wanted a divorce.[7]

GAUTAM ADANI

Too big to fail?

College drop-out Gautam Adani tried his hand at diamond trading before turning to the world's dirtiest fossil fuel – coal. Today the laconic Indian is the world's fourth richest man, after Elon Musk, Jeff Bezos and

Bernard Arnault.[11] In just two years, Adani has seen his wealth grow by a phenomenal 900 per cent to $137.4 billion.[12]

How come? Energy shortages, rising commodity prices and closeness to Indian Prime Minister Narendra Modi (both men hail from Gujarat) have played their part. Adani, who has a stake in almost every part of India's energy chain, recently gained valuable contracts to supply the state energy company with imported coal.[13] When Russia invaded Ukraine and coal prices hit an alltime peak, his personal wealth leapt by $26 billion.

Adani Enterprises already includes ports, airports, gas distribution, cement, alumina (an oxide that can be smelted into aluminium), media, data centres and real estate, as well as coal mines in India, Indonesia and Australia. But the 60-year-old self-styled introvert has an extraordinary appetite for expansion and accumulating debt, amid warnings from credit analysts that his empire is 'deeply overleveraged'. Is he making himself 'too big to fail'?[12]

In terms of personal spending, his penchant is for boys' toys: helicopters (three), jets (three), luxury cars (eight).

BERNARD ARNAULT

'The wolf in cashmere'

'How to spend it?' is a constant headache for the super-rich. Bernard Arnault, the French luxury goods billionaire, has been supplying remedies for years – and enriching himself in the process. In May 2021 he became, briefly, the world's richest person – presumably buoyed as the wealthy looked for outlets for their moolah after months of lockdowns.[16]

The elfin 73-year-old 'pope of fashion' is still sitting pretty, his LVMH (Louis Vuitton Moët Hennessy) empire – which includes some 75 brands such as Dior, Givenchy, Gucci, Bulgari, Tiffany's and Princess Yachts – making him the third richest man in the world.[11]

But that's not the whole story. Arnault is also known for his cunning investments, holding, for example, a 10-per-cent share in Carrefour, the second largest food distributor in the world. The supermarket brand has seen profits continue to rise through the cost-of-living crisis.

The billionaire boom and soaring share prices of recent times have served Arnault well. But he has other skills: the 'taste-maker' and fine art collector, who acquired Christian Dior for sentimental reasons – it was his mother's favourite brand – does not extend such sentimentality towards his workers. He earned himself the nickname 'Terminator' after sacking 9,000 of them in one go.[17]

1 *The Guardian*, September 2022, nin.tl/TheSuperRich **2** *Forbes*, April 2022, nin.tl/BillionairesList2022 **3** Oxfam, May 2022, nin.tl/ProfitingPain **4** *Forbes*, October 2022, nin.tl/cargill **5** *The Guardian*, April 2022, nin.tl/cargills-richest-500 **6** More Perfect Union, August 2022, nin.tl/TheyOwnYourFood **7** *Daily Mail*, August 2022, nin.tl/Looney-BP **8** *The Guardian*, August 2022, nin.tl/BP-war-profits **9** Investopedia, October 2021, nin.tl/BP-shareholders **10** Channel 4, August 2022, nin.tl/TinyGreenInvestments **11** Bloomberg, October 2022, nin.tl/billionaire-index **12** *Fortune*, August 2022, nin.tl/AdaniRiches **13** *The Economist*, August 2021, nin.tl/AdaniTycoon**14** *The Economic Times*, July 2022, nin.tl/AdaniCoalProfits **15** Bloomberg, August 2022, nin.tl/AdaniOverleveraged **16** *Forbes*, May 2021, nin.tl/ArnaultRiches **17** The Richest, July 2021, nin.tl/BehindArnault ■

DEBTORS UNITE LESSONS IN RESISTANCE

DEC 17, 2022 7 MINUTES

SAVE FOR LATERSAVE DEBTORS UNITE LESSONS IN RESISTANCE FOR LATER

Rocketing unemployment fed a wave of mortgage defaults and evictions across Spain during the 2008-2013 financial crisis. Those forced out often remained saddled with debt thanks to punitive mortgage legislation. In response, activists created the Platform for People Affected by Mortgages (PAH), best known for forming human shields to defend families against expulsion from their homes by police, as well as for vibrant protests outside the homes of politicians. Direct action stopped thousands of evictions.

PAH members were mainly women and frequently migrants. Those affected came together to raise awareness and overcome feelings of guilt – something encouraged by the government's repeated claim that Spaniards had 'lived beyond their means'. With allies, such as unions and participants in the *indignados* ('The Outraged') square occupations, they ran diverse campaigns around achievable goals, including collecting 1.4 million signatures to back a new mortgage bill.

This was rejected by the conservative-dominated Spanish parliament but local institutions backed similar measures. A law passed in Catalonia halted tens of thousands of evictions despite its suspension for several years by Spain's reactionary high courts – and prevented vulnerable households being disconnected from their energy supplies. Some of those saddled with mortgage debt won legal battles against the harshest clauses, among other victories.

When spokesperson Ada Colau called a bank representative a ‘criminal’ at a congressional hearing, images of the exchange went viral, and public support for PAH reached 90 per cent.

This and Colau’s belief that the party system formed a ‘glass ceiling’, preventing change, led her to stand for mayor of Barcelona in 2015 – and win. Since then she and other former housing activists, many of whom moved into politics and local government, mediate during conflicts in the city.

Yet in Barcelona and elsewhere evictions – more than 400,000 by 2018 – continue. And PAH has been weakened by losing many activists to working in municipal institutions. Fortunately, at the grassroots level PAH has been joined by a tenants’ movement and local groups organizing against varied housing injustices, co-ordinated in Catalonia through the Catalan Housing Congress. Together, such movements are preserving the best traditions of the PAH and still winning victories – including legal caps on rents.

BASED IN BARCELONA, **LUKE STOBART** IS WRITING A BOOK FOR VERSO ON MOVEMENTS AND NEW POLITICS IN SPAIN SINCE 2011. AS WELL AS RESEARCH, HE INTERPRETS CONFERENCES IN SPANISH AND CATALAN. ■

PUSHING AGAINST THE PERFECT STORM

DEC 17, 2022 32 MINUTES

‘It’s not that I can’t let it go… but it’s still there,’ Aneita tells me. It’s hard to shift the memory of not knowing how to make ends meet. ‘I’m not rich, I’m not absolutely poor, but – you know – I’m there, kind of lingering, in that in-between place.’

But ‘lingering’ doesn’t do justice to Aneita’s energy and activism. A single mother and mature student who has personally experienced food poverty, she’s part of the Blueprint Architects group – residents, growers and food justice organizers in Tower Hamlets, East London. Most members of the group are from working-class, Global South diaspora and migration backgrounds. Over the last two years they have joined forces to research a low-carbon, socially just urban food system. This feels crucial, in a deprived borough where hardship and inequality is compounded by environmental hazards such as heavy road pollution.

‘It’s about working out how communities can take back the power to sustain ourselves,’ she says. It’s a vision of abundance and choice – enough fresh, affordable, sustainable food for everyone – and reclaiming space from developers and landlords to make that vision a reality.

We will need more such visions as we face this moment where climate and economic crises collide.

Aneita's personal experiences have hardened into political resolve. 'A few carrots and cabbages aren't enough,' she laughs, with an edge. The Blueprint Architects connect community-led growing, cooking and composting across social housing estates to wider policymaking. They use participatory research to better understand the barriers to building alternative food systems, including what technological and regulatory change is needed to support community action.

In the face of austerity and rising inflation, these local initiatives are part of the solution. The question is how to harness this knowledge in the transformation of our wider economies. And the conjunction between climate action and solutions to the cost of living crisis goes well beyond local food production.

Broken by design

Between July and September 2022, oil giants BP, Shell and Equinor extracted a combined £36 billion ($42.6bn) in profit, while two-thirds of UK households are expected to be in fuel poverty as of January 2023.[1] Such stark inequality is only part of the problem. Industrial agriculture, chemical fertilizers and globalized distribution also rely on fossil fuels. When the prices of oil surge, so do food prices.

A food system hooked on oil drives climate breakdown, which in turn compromises our food security. Heavy rainfall, heatwaves and droughts erode agriculture and infrastructure, ultimately leading to crop failures, emptier shelves and higher prices. We are caught in a perfect storm; a global economy dependent on fossil fuels powers its own destruction.

Last summer's floods in Pakistan displaced 33 million people, destroyed 3.6 million acres of crops and killed over 1.1 million agricultural animals.[2] This climate-induced disaster will depress earnings, protract hunger and cost billions of dollars in damages in a country that was already facing its highest rates of inflation in many decades.

A food system hooked on oil drives climate breakdown, which in turn compromises our food security

While it's hard to put a precise figure on it, climate breakdown, in addition to the grave human cost, is driving inflation even higher through these 'supply chain disruptions' – disasters clogging up the wheels of global trade, generating an economic crisis from environmental harms. These pressures multiply and intensify the threats posed by other disruptive forces, such as war: 'Russia's military machine is underwritten by fossil fuels, funded by its oil and gas exports,' says climate lawyer and campaigner Tessa Khan.[3]

The current cost of living crisis masks the much deeper cost of an economic system which is broken by design, operating by way of extraction and exploitation, at the expense of our environment and our basic needs. Countries in the Global South are hit hardest, as droughts, storms and rising sea levels decimate communities and industries. This after decades of debt and austerity (often demanded by international institutions) has stripped their ability to rebuild in the wake of such climate disasters.

The public good

So, what is to be done? The causes and solutions are connected, not competing. Renewable energy, for example, is now synonymous with affordability. Rebuilding public services as the foundation for a fair and just transition away from fossil fuels would create an economy that puts wealth back in the hands of communities and provide the basis for a good life for all.

As climate campaigners Harpreet Kaur Paul and Tatiana Garavito have written: 'Tackling rising inequality starts with establishing a politics of care, repair, and regeneration.'[4] This is the energy with which we must confront the perfect storm.

Some of these changes start small. Back in Tower Hamlets, local projects are providing low-cost food with and for local people, through co-operatives and community-led growing and cooking. The challenge is to magnify this energy, building community power and resilience into meaningful alternatives.

In every instance, prioritizing public good over private profit helps to mitigate against the impacts of both of these crises. Take transport – road transport makes up around one-tenth of global carbon emissions; last year a number of European countries including Spain announced free or cheap commuter rail, easing the impact of rising prices while encouraging lower-carbon travel.

Insulating homes would immediately reduce fossil fuel dependence – and bills. Burgas, Bulgaria's fourth largest city, initiated a comprehensive retrofitting programme for public and residential buildings, enabling hundreds of lower-income residents to benefit from more comfortable and affordable housing, with up to 30-per-cent lower energy bills.[5]

In Eeklo, Belgium, the municipal authority is using locally-owned renewable energy generation to heat homes – at a cost that matches, or beats, using gas. The co-operative taking this forward uses the profits to invest in further energy-saving measures.[6]

Decarbonisation is only half the battle: energy profits should be invested in building community wealth. By contrast, privatization and deregulation only serve to limit climate action, drive up prices and suppress living standards.

Reclaiming the green commons

Both the climate and cost of living crises are global and tackling them will require solidarity and international co-operation of a kind and scale we have not yet seen. As we imagine an international energy commons – clean, equitable and democratic – we must work to redress the West's long history of colonialism. 'Green' energy cannot rely on extraction, exploitation and dispossession, or else our work will only worsen the true cost of living.

Take the solar power plant in Ouarzazate, Morocco, developed by the private Saudi corporation ACWA Power. Researcher Hamza Hamouchene describes the 3,000-hectare project as 'green grabbing', explaining how the mega-plant was installed on the land of the local Amazigh (Berber) agro-pastoralists without their consent, added to public debt and requires the diversion of huge amounts of water to operate.[7]

Models such as this only serve to widen extremes of inequality, creating a new world in the pattern of the old.

‘Prices are rising and the government is asleep,’ peaceful protesters chanted outside the Moroccan parliament last October.[8] Food prices had risen almost 15 per cent and fuel prices were at a record high. Meanwhile Morocco’s Prime Minister, Aziz Akhannouch, happens to be a billionaire and main shareholder in Afriquia, a leading petrol station operator.

Any talk of tackling the cost of living and climate crises must break the chain between governments and fossil fuel interests; it must include support for labour unions across the world, particularly in the Global South, and commitment to protecting workers and communities at all points in the energy supply chain.

Connecting solutions

Some politicians might have you believe that expanding oil and gas is the route out of the energy and cost of living crisis. ‘Britain must get every cubic inch of gas out of the North Sea,’ insisted Jacob Rees-Mogg, briefly UK energy secretary in 2022. He is also the founder of an investment fund that has shovelled millions into fossil fuels.[9] Yet wind and solar power are at record low prices and up to nine times cheaper than gas generation – while any new oil and gas wells would likely take a decade or more to bring online.[10]

Costa Rica's electricity system, which reported a renewables contribution of a staggering 99.7 per cent in 2017, is one of the world's most efficient and equitable, with radically expanded access to electricity.[11]

Costa Rica exemplifies the potential and necessity of public ownership for energy transition. Public utilities can develop renewable power at the challenging pace required, and manage the complex changes needed for grids to handle an electrified society – while putting fairness at the heart of this process. Even so, these transitions must go further – challenging the growth of a petrol-reliant transport system, for example, and the environmentally damaging use of hydropower and biomass. Such a takeback is made more urgent by the exorbitant price rises recently seen in energy – enabled by the privatization of oil and gas giants, electricity generation and networks. In France, publicly-owned energy company EDF kept bill rises to 4 per cent in 2022, while prices in the UK soared by 96 per cent over the year.[12]

We must learn from initiatives that have prioritized the public good and demand a way of living well that does not cost the earth.

MARIANNE BROOKER IS A WRITER BASED IN BRISTOL, UK, AND COMMUNICATIONS MANAGER FOR CLIMATE JUSTICE CHARITY PLATFORM.

1 Pippa Crerar, 'Two-thirds of UK families could be in food poverty by January…', in *The Guardian,* 18 August 2022, nin.tl/3g520rZ **2** International Rescue Committee, 'What the cost of living crisis looks like around the world', 7 November 2022, nin.tl/3g8z7es **3** Tess Lowery, 'How to solve the cost of living crisis', TedX podcast, nin.tl/3GfvP3x **4** Harpreet Kaur Paul and Tatiana Garavito, 'The cost of living crisis is a climate justice issue', *Huck,* 11

October 2022, nin.tl/3EdjKZY **5** Ivaylo Trendafilov, ‘The “smart” transformation of a Black Sea metropolis’, mPower, 3 March 2020, nin.tl/3EzpY8c **6** Britt Jurgensen, ‘Building Energy Communities: A guide to inspiring democratically owned and financed energy projects’, mPower, nin.tl/3txmLzu **7** Hamza Hamouchene, ‘The energy transition in North Africa: Neocolonialism again!’, TNI Long Reads, 14 October 2022, nin.tl/3hH70U0 **8** ‘Moroccan protest against cost of living crisis’, The New Arab, 23 October 2022, nin.tl/3E9Pwau **9** India Bourke, ‘Five reasons Jacob Rees-Mogg is unfit to tackle the climate emergency’, *New Statesman*, 7 September 2022, nin.tl/3X4RjWT **10** Simon Evans, ‘Record-low price for UK offshore wind is nine times cheaper than gas’, Carbon Brief, 8 August 2022, nin.tl/3GnBMvD **11** Daniel Chavez, ‘Energy democracy and public ownership: What can Britain learn from Latin America?’, Transnational Institute, 4 December 2018, nin.tl/3IySu8A **12** Paul Bolton and Iona Stewart, ‘Domestic energy prices’, House of Commons Library, 9 November 2022, nin.tl/3hJCfOl ■

16 MILLION AND COUNTING: THE COLLATERAL DAMAGE OF CAPITAL

SHARE ARTICLE:

ANALYSIS

22 December 2022

Capitalism

Over the past 50 years, powerful states a
and cuts to public services. Millions hav

During the 1950s and 1960s progressive and radical movements were gaining traction around the world. In the Global North, labour unions were winning their fight for fairer wages and public services. In the Global South, newly independent governments were throwing off colonial arrangements and using tariffs, land reform and industrial policy to build national economic sovereignty.

These movements were fighting for a fairer and more just economy, and it was working. But it posed a threat to capital, particularly in the 'core' states of the Global North, as it constrained their access to the cheap labour and captive markets they had enjoyed under colonialism.

Capitalists responded by doing everything in their power to crush the progressive drive for change and reverse reforms – a backlash that we know today as neoliberalism. In the Global North, neoliberal policy was implemented by corporate-aligned governments, most notoriously those of Margaret Thatcher and Ronald Reagan. In the Global South, it was often done through coups and other violent imperialist interventions by the US and its allies, including in countries such as Indonesia (1965), Chile (1973), Burkina Faso (1987) and Iraq (2003).

Countries that were not subject to invasions and coups had neoliberalism imposed on them by the IMF and World Bank in the form of 'Structural Adjustment Programmes' (SAPs), which required governments to privatize national resources and public assets, slash protections on labour and the environment, curtail public services and – crucially – abolish programmes that sought to ensure universal access to food or other essential goods. Between 1981 and 2004, 123 countries – comprising 82 per cent of the global population – were forced to implement SAPs. Economic policy for the majority of humanity came to be determined by bankers and technocrats in Washington DC.

In Latin America and much of sub-Saharan Africa, the quantity of food that could be purchased with an unskilled labourer's wage declined markedly, reaching levels lower than in the 17th and 18th centuries

These policies redistributed incomes to the rich and provided windfall profits to corporations in the Global North. But they had a disastrous impact on working people and small farmers around the world, particularly in terms of access to food. In India, the proportion of the population without access to sufficient calories increased from 75 per cent to 91 per cent in rural areas, and from 57 per cent to 73 per cent in urban areas, during the two decades following neoliberal reforms in 1992. In Latin America and much of sub-Saharan Africa, the quantity of food that could be purchased with an unskilled labourer's wage declined markedly, reaching levels lower than in the 17th and 18th centuries. Something similar happened in China and the former socialist countries of Eastern Europe, where the share of people unable to afford a basic subsistence basket increased dramatically during the reforms of the 1990s. In region after region, neoliberalization produced food insecurity and caused immeasurable human suffering.

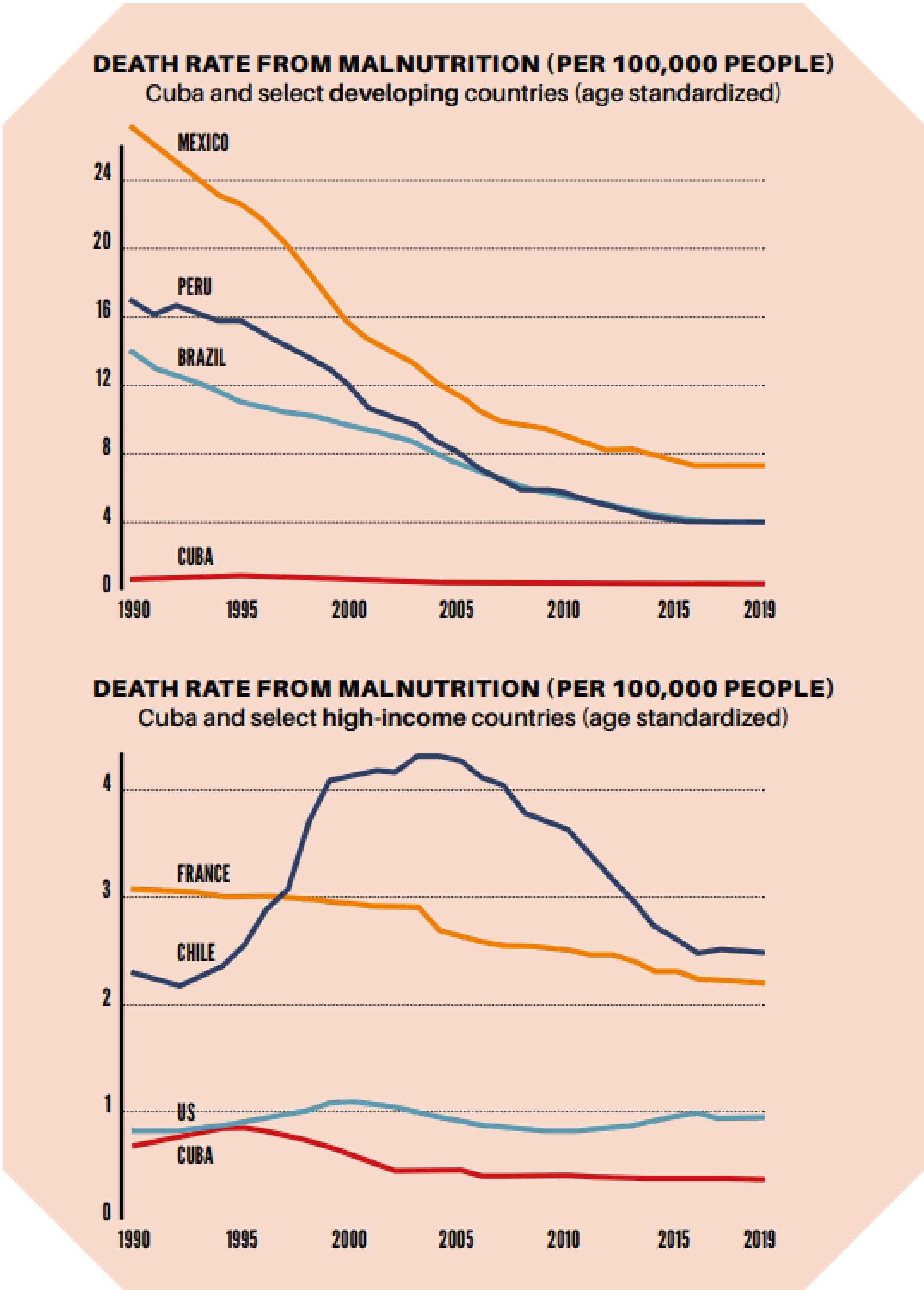


Figure 1

THE CUBAN ALTERNATIVE

But not every country succumbed to neoliberal shock therapy. In Cuba, following the socialist revolution in 1959, the government established a public food provisioning programme designed to ensure universal access to basic nutritional requirements. Cuba is the only Latin American country that did not implement SAPs, and has maintained this programme to the present day. Under this system, every citizen is entitled to a modest quantity of nutritious food at subsidized prices. As of 2015, Cubans pay only around $2 per month for these items, which is around 12 per cent of their market value. The Cuban government invests over $1 billion into this system every year. People are of course free to obtain additional foodstuffs from local markets, community gardens and commons; but the food programme secures a baseline below which no one will fall.

Cuba's food provisioning system has been remarkably successful at fighting hunger and premature mortality. Figure 1 compares Cuba's death rate from nutritional deficiencies to three Latin American states with similar incomes: Mexico, Peru, and Brazil. This data was obtained from the Global Burden of Disease Study (2019), carried out by Institute for Health Metrics and Evaluation at the University of Washington. It refers to all deaths associated with inadequate food, including deficiencies in calories, protein, iodine, vitamin A, iron and other nutrients. The data is age-standardized – a technique used when populations have different age profiles – to allow for comparisons between countries and across time.

Even though Cuba has a lower per capita income than all these states, it has performed much better at ensuring access to essential goods required for survival. In fact, Cuba's death rate from malnutrition is lower than even high-income economies like Chile, the US and France (Figure 1). The US's per capita income is almost nine times higher than Cuba's, yet its citizens are more likely to die from lack of calories and protein. Remarkably, Cuba has been able to accomplish this while subject to a brutal economic blockade imposed by the US.

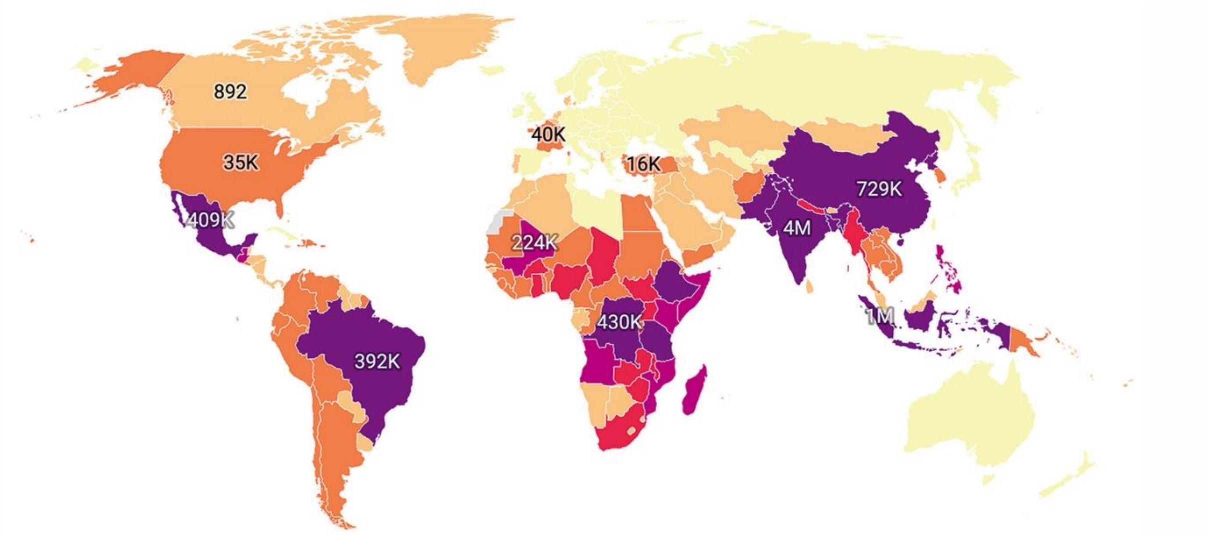


Figure 2
Deaths from malnutrition in excess of Cuban levels from 1990-2019. Countries in yellow have a death rate due to malnutrition that is equal to or lower than Cuba's.

A LONG HISTORY OF VIOLENCE

Countless studies have demonstrated the human toll of neoliberal policy, but one way to illustrate the extraordinary scale of it is to compare the death rate from malnutrition in Cuba to countries that have either dismantled or prevented progressive food policies.

The map shows the number of deaths from malnutrition in excess of Cuban levels, in all countries from 1990 to 2019.[1] Countries shaded in light yellow had a mortality rate from malnutrition equal to or lower than Cuba’s.

In total, 15.63 million excess deaths have occurred due to malnutrition that could have been prevented with Cuba-style policies. This includes 35,000 in the US; 409,000 in Mexico; 729,000 in China; 1.2 million in Indonesia; and a staggering 3.65 million in India. The only large populous region left unscathed was Eastern Europe and Russia, perhaps reflecting its history of socialist policy. In the rest of the world, almost 16 million people have died needlessly.

These deaths are not incidental to the capitalist world-system; they are intrinsic to it. From the perspective of capital, the global poor's claims to food represent a claim on resources (land, labour, energy) that could be appropriated instead to service elite consumption and the growth of the commodity sector. Capital therefore seeks to constrain the consumption of these communities in order to make resources available for accumulation. It is only by squeezing the incomes of the poor, often to the point of causing millions of needless deaths, that capital can ensure the steady flow of resources required for profit maximization and perpetual corporate growth.

During the rise of capitalism in the 16th century, some 50 million Indigenous people in Central and South America fell victim to colonial genocide, dispossession, and starvation, as their land was expropriated to service the European market. In the 17th and 18th centuries, European trading companies trafficked enslaved people from West Africa, causing millions to die from disease, hunger, and overwork. In the 19th century, British appropriation of agricultural yields in India and China led to serial famines that caused tens of millions to die. The 16 million deaths that have occurred due to preventable malnutrition since 1990 are merely the latest manifestation of this long history of violence.

ECONOMICS FOR THE PEOPLE

It is clear that neoliberal policy has failed to achieve food security and human development for the Majority World. Cuba has demonstrated that a more effective approach is to organize production directly around meeting human needs, through public provisioning and social guarantees.

But it's not just Cuba. Public provisioning systems have proved to be a powerful tool for poverty alleviation in many contexts. One 1986 study of health and education indicators found that at any given level of economic development, socialist countries performed better than capitalist states at securing strong welfare outcomes for their populations. These findings received further support from a 1993 study in the *International Journal of Health Services*, which found that high levels of democracy and strong leftwing policies were associated with improved health indicators. The public health researcher Vicente Navarro reached similar conclusions in his region-by-region survey of health outcomes in capitalist and socialist states. In Latin America, Cuba performed better than most other states; in Asia, China and the Soviet Union had stronger welfare outcomes than capitalist economies like India or Turkey; and in the high-income countries of Europe and North America, the social democracies with generous welfare states, including Sweden, Norway and Denmark, outperformed neoliberal states like the US. As the Nobel-winning economist Amartya Sen remarked in 1981, 'One thought that is bound to occur is that communism is good for poverty removal.'

Of course, some socialist governments in the 20th century pursued policies that exacerbated hunger and mortality. These tragedies occurred not because of socialist principles *as such*, but because of the authoritarian nature of government power. From 1958 to 1961, China experienced a famine that killed tens of millions of people, because Mao's government brutally requisitioned grain from the peasantry to finance industrialization and crushed any dissent. The Chinese famine underscores the importance of popular participation in economic policy-making. Socialist provisioning systems should always be democratically managed by transparent and accountable public institutions, worker co-operatives and grassroots organizations.

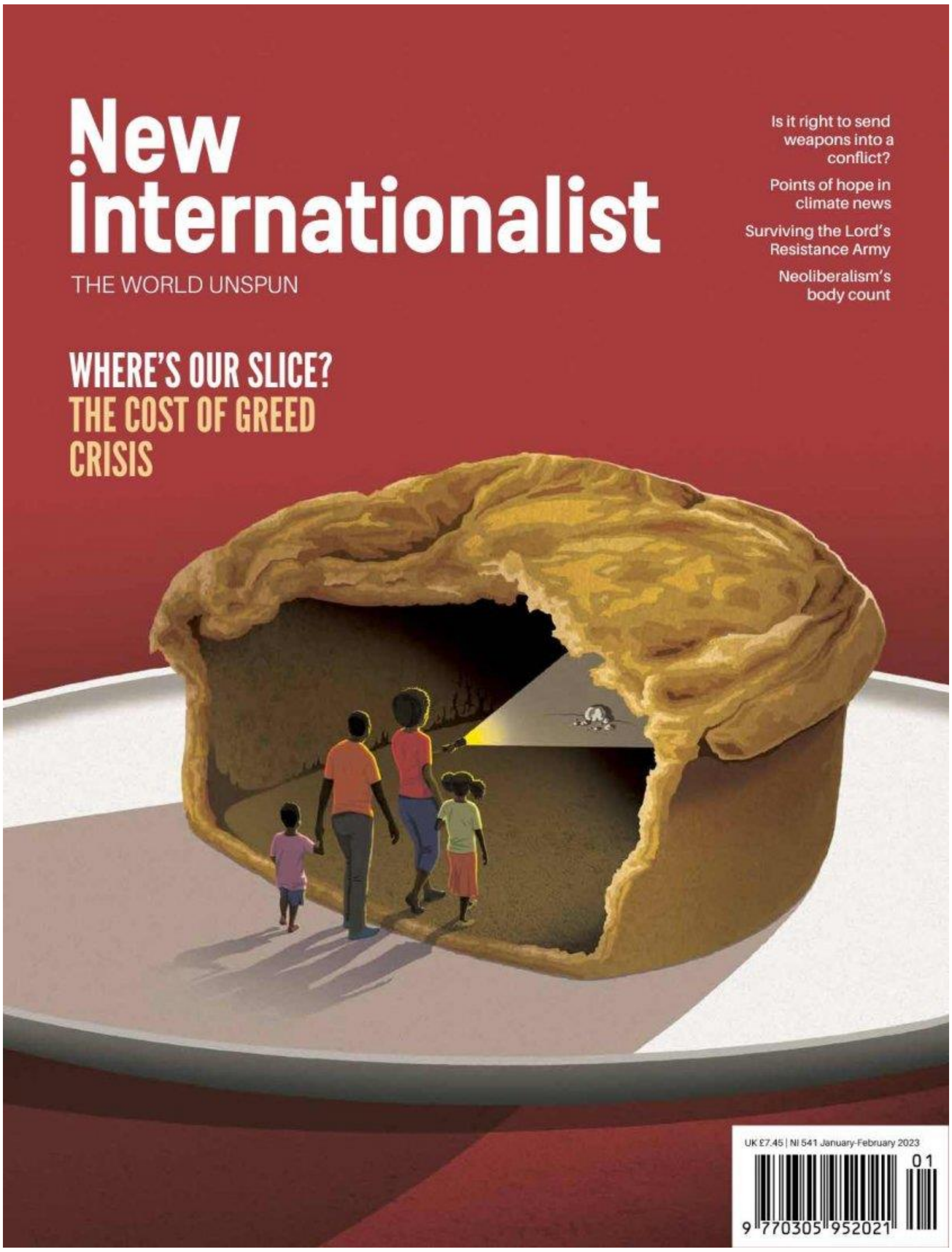
Nevertheless, outside of the famine years, socialist China experienced rapid gains against mortality. As Jean Drèze and Amartya Sen remarked in 1989, 'despite the gigantic size of excess mortality in the Chinese famine, the extra mortality in India from regular deprivation in normal times vastly overshadows the former… Every eight years or so, more people die in India because of its higher regular death rate [relative to socialist China] than died in China during the gigantic famine of 1958-61.' Dreze and Sen attribute China's lead over India to state investments in the public distribution of food and healthcare – in other words, to socialist provisioning systems that de-commodified essential goods.

The mass poverty and hunger that characterizes our world today is not due to absolute scarcity. The world economy has extraordinary productive capacity, sufficient to end poverty several times over. The problem is that this capacity is overwhelmingly used to service the interests of capital accumulation, rather than to meet human needs. With democratic socialist policy, we can do the opposite: we can build an economy focused on people instead of profit, where the goal of production is to ensure that everyone has the goods and services necessary to live decent, dignified lives.

Dylan Sullivan is an adjunct fellow in the School of Social Sciences at Macquarie University, where he teaches Anthropology and Sociology. His research focuses on global inequality, colonialism, environmental justice, and the economics of socialist planning.

Jason Hickel is professor at the Institute for Environmental Science and Technology (ICTA) at the Autonomous University of Barcelona. His most recent books are the Divide: a Brief Guide to Global Inequality and its Solutions, and Less is More: How Degrowth Will Save the World.

1 We calculated excess deaths in each country and year with the following formula: Excess deaths in country A = (per capita deaths in country A – per capita deaths in Cuba) x population in country A.



This article is from the January-February 2023 issue of **New Internationalist**.