Instituto Políticas Alternativas para o Cone Sul

PROFITING WITHOUT PRODUCING:
THE FINANCIAL CRISIS AS AN OPPORTUNITY TO CREATE A WORLD SOLIDARITY ECONOMY[1]

Marcos Arruda[2]

"Competition is not industrial emulation, it is commercial emulation.
In our time industrial emulation exists only in view of commerce.
There are even phases in the economic life of modern nations when everybody
is seized with **a sort of craze for making profit without producing**.
This speculation craze, which recurs periodically, lays bare the true character of competition,
which seeks to escape the need for industrial emulation.".
(Karl Marx, 1847: 110-111)

CONTENTS

---

[1] Published online in http:www.pacs.org.br and www.tni.org/list_page.phtml?&&keywords=FINS. Became a chapter of the book "Justice, not Greed", 2010, World Council of Churches, edited by Pamela Brubaker and Rogate Mshana., Geneva.

[2] Socio-economist and educator with the Institute of Alternative Policies for the Southern Cone of Latin America (PACS), Rio de Janeiro; the Jubilee South Network - Brazil, member of the Brazilian Network on Environmental Justice; facilitator at UNIPAZ and the Gaia Education Program; and fellow of the Transnational Institute (Amsterdam).

The world today is wealthier than ever – and more unequal. Something is rotten in the kingdom of Capital. Remember first that, while investors in their millions suffer the terrors of a financial crisis, the impoverished peoples of the Earth – in their billions – endure a daily routine of chronic crisis for lack of access to goods and the means of production or to the essentials of a worthwhile livehood, i.e. food, energy, pleasurable work, time to develop their potential, a decent standard of living, and social and ecological relations that are friendly, secure, gratifying and lasting. Remember also a recent biological discovery: "We human beings are love-dependent animals. This is apparent in that we become ill when deprived of love at whatever age" (H. Maturana, 1996).

In the domains of capital, the reigning mode of economic relationship among people, businesses, territories, countries and hemispheres is coloured by the alienating myths of scarcity and unlimited economic growth (Silva, 2006), the predatory, aggressive and competitive nature of the human animal, competitive natural selection (Sandín, 2006:65-95) and the inevitability of *Homo's* ego domination over and above eco-sociability. Down that road, humankind is headed for self-extinction, unless it decides to make a quantum jump of consciousness from *Homo Sapiens Aggressans* to *Homo Sapiens Amans* capable of re-conceiving and re-creating our relations with one another, with social collectives and with nature, and cleansing our planet of all unnecessary violence, hunger, wars, exploitation, eco-destruction, suffering and unhappiness.

Ironically, suffering today is directly proportional to financialisation, to increasing concentration of capital and markets, of wealth and income, and to the belief that 'progress' and 'prosperity' are synonymous with endless escalation of the GDP.

Scarcity is the dominant psycho-ideological phenomenon that makes people perceive social and environmental destruction as prosperity. Never enough, is the motto of the scarcity paradigm, referring to wealth, property and money accumulation. Add militarization (which consumes above US$ 1 trillion a year) to financialisation and ask whether financial speculation and arms production and trade were the best and wisest use of money governments, corporations and people could have made, considering people's real needs (food sovereignty and security, a gratifying work, accessible health, education for cooperation and competence, etc.) and wants (time to develop their higher potentials and capacities, leisure, communication, sociability, affection, joy, happiness, etc.) Something crucial is missing in the way we conceive and measure wealth.

Silva (2006…) argues that "the whole theoretical structure [of today's economy] based on scarcity stimulates the growth of scarcity". He states that wanting economic growth is equivalent to hoping for the increase of scarcity and of local and global conflicts. The subjective matrix of consumerism is the belief that goods are permanently scarce, and competition is the only way of relating to one another that will bring satisfaction and social peace. Reality shows that the opposite is true.

This paper focuses on the key manifestations of the global financial crisis, briefly examines its immediate causes as well as its deeper systemic factors, then advances a key proposal: things can be done differently if we choose to *see* the crisis as an opportunity for profound socioeconomic, political and cultural change, and decide to act accordingly.

I – Crisis in Capitalist Finance: Chronicle of a Death Foretold

Historians of any of the crises of capital can come to only one conclusion: they are writing chronicles of a death foretold. Take John Kenneth Galbraith, for example, on the great crash of 1929 (Galbraith, 1962). Galbraith traces the history of the United States' economy and finances to show that it was weaknesses in the economy and in its corporate structure and dynamics that gave rise to the crisis – the collapse in stock and share values was just one manifestation. He points out that the collapse of the investment trusts and the systems led by holdings, moved by an insatiable appetite for easy profit, "effectively destroyed both the ability to borrow and the willingness to lend for investment" (Galbraith, 1962:188). All this took place without any of the necessary regulations by the authorities and private sponsors of the speculative merry-go-round showing absolutely no sense of responsibility. And the same thing happened again 80 years later! At the end of his study, Galbraith writes that in 1929 the economy was fundamentally insecure. He points to five weaknesses that, leading always to *greater indebtedness*, signalled disaster. They can be held up for comparison with the weaknesses running through the world's financial architecture today, further aggravated by the tendency for globalisation to transmit the magnitude of any economic or financial crisis at the centre to the systemic and planetary levels.

1. **Poor distribution of income:** in 1929, 5% of the population controlled nearly one third of all personal income. Income concentration is even higher today in the USA where the wealthiest 1% control 20% of the country's revenues, and the mean wage rose a meagre 0.1% from 2000 to 2007. It was low pay that led families to take out loans to pay school, housing and health costs (private health insurance rates rose 68% in the same period). Meanwhile, money that could be expanding supply of goods and service migrated to financial speculation, increasing imports and causing deficits.
2. **Poor corporate structure:** the United States enterprise in the 20s, says Galbraith, "had opened its hospitable arms to an exceptional number of promoters, grafters, swindlers, impostors, and frauds. [...] a kind of flood tide of corporate larceny". He points to the vast new structure of investment trusts and holdings as the main corporate weakness, because dividends from companies operating in the real economy (infrastructure, transport and recreation) went to pay off interest on the bonds of upstream holding companies. In econo-speak, this meant a major risk of devastation by reverse leverage: any interruption in dividends left the bonds insolvent, bankrupting and bringing down the whole structure; the temptation to speculate more and more – instead of producing – was joined by deflationary pressures that limited earnings and brought corporate pyramids tumbling down! Income was earmarked to pay debts, it was impossible to borrow so as to refinance debts or make new investments... "hard to imagine a corporate system better designed to continue and accentuate a deflationary spiral" (Galbraith, 1962: 180-181). Today's global financial system is suffering the same illness, with its mammoth bank structures and globalized financial firms issuing massive types of

bonuses, titles and derivatives, making it possible to maximize profits with sheer speculation and to divert private tax money to tax havens and secret jurisdictions. The behaviour of today's globalised corporations is just as badly distorted – or worse. Proof of this are the financially and ethically scandalous bankruptcies of mega-corporations like Enron, Worldcom/MCI and other *Tyrannosauruses*; not to mention the corporate fiascos of LTCM, Bear Stearns Bank, finance giants Lehman Brothers and Merrill Lynch, and the bailouts with public money of mega-corporations like Fannie Mae, Freddie Mac, AIG, GM, and on and on.

3. **Poor bank structure:** the failings here were laid bare by domino-effect bankruptcies brought on by fear and lack of confidence. In the first half of 1929 alone, 346 banks failed. In a context of depression, "as income, employment and values fell, bank failures could quickly become epidemic", and the damping effect on spending and investment reinforced the depression still further. Today, the lack of rigorous regulation and the excessive freedom afforded to investment banks, a range of financial institutions and stock markets themselves to issue various types of money and to speculate, added to the financial channels and destinations that facilitate capital flight, tax evasion and money laundering, combines high financial yields with very high risks for the banking system as a whole (Gurtner & Christensen, 2008). Laws are not strictly enforced, while the means to dodge them proliferate.
4. **Poor state of external accounts:** for over a decade following World War I the USA enjoyed a trade surplus, to the point of using that favourable balance to pay off its debts to Europe. In turn, countries with trade deficits with the United States paid the US in gold and borrowed from United States private banks to bridge the gap. Loans to politically and economically unstable countries, President Hoover's high protectionist tariffs, debtor countries' payment difficulties, a number of insolvent loans and declining US exports all contributed to widespread vulnerability, especially among farmers. In the present day, the United States corrected trade deficit was around US$ 800 billion in 2007. With China alone, the USA has liabilities of over US$ 1 trillion in National Treasury bonds. Its total external debt leaped from less than US$ 2 trillion in 1980 to more than US$ 5 trillion in 2007, half of it held by the strongest Asian economies (Bulard, 2008:12). Were it not the owner of the international exchange currency, the USA would be even more vulnerable than it already is.
5. **Poor economic intelligence:** after the crash of September-October 1929, most advice from economists "was almost unanimously perverse". Attempts to expand income available for consumption and to maintain capital investment by tax reductions had practically no effect whatever, except to favour the highest-income groups: investment, wages and employment were maintained only as long as that meant no financial disadvantage to companies; from that point on, policies almost entirely pushed the economy towards the brink. Balanced-budget fundamentalism reigned: public spending could not be increased to boost purchasing power and alleviate impoverishment; nor could taxes be cut further. After 1930, this rule or formula had to yield to pressure from mass unemployment. In addition, United States gold stocks grew enormously up to 1932. Two risks haunted the economy: abandoning the gold standard and feeding inflation. Instead, however, the country entered the most violent deflation of its history. Advisors saw an embedded risk of

> uncontrolled price increases. That fear reinforced calls for a balanced budget. It limited interest rate cuts, and the abundant credit and easy borrowing conditions. The refusal to use fiscal and monetary policies in those circumstances meant refusing all affirmative government economic policy. Economic advisors were unanimous in decrying all available measures for controlling deflation and the depression: "a triumph of dogma over thought", concludes Galbraith shrewdly. Today, influential advisors are fixated on reviving the economy by any means. They are, at least temporarily, abandoning neoliberal dogma and injecting massive amounts of public money into banks, companies and foundations. As a sop to taxpayers, they are taking considerable portions of these economic agents' equity into State control. On 15 November 2008, at the Washington D.C. meeting of the G-20, the presidents of the wealthiest and "emerging" countries decided to adopt a common plan of action designed just to *alleviate the impacts* of the current financial crisis (*O Globo*, 16 November 2008: 28). The USA and Britain refused to back creation of standardised global regulations and an international agency with the power to monitor the activities of the international financial system in order to make compliance with the rules compulsory. No-one talked about attacking the factors of the crisis nor about redefining the model of development that the financial system is there to serve and which is also coming to the end of its tether. The heads of State and their advisors seem blind to the main issue, which is to get to the roots of the problem.

All in all, any similarity between the crash of 1929 and the crash of 2007-2008 is no <u>mere</u> coincidence! Other signals of a death foretold come from a number of political and economic articles, among them an essay published in Brazil and Switzerland at the start of the Brazilian crisis of 1999, which reads:

> "The unlimited right of governments and companies to issue these papers has led to the world's markets being inundated with virtual money, because a large part of the papers are launched on the supposition that, sooner or later, the government or company will be able to turn them into real wealth and so redeem them for the value that they are supposed to represent. This supposition belongs to the subjective sphere of the economy, that which operates on the basis of non-material values like confidence, foresight, hope and so on. Now, when the government or company does not manage to repay the bearer of their moneys, it becomes insolvent, thus proving that the supposition was false and that the confidence and hopes deposited in them were mistaken, for lack of proper planning, rules and supervision to ensure that the game was played correctly and cleanly – and because their monies were only virtual [...] Today we are witnessing a casino economy at the world level and, with it, an almost unavoidable risk of worldwide financial, social and economic crisis [...] In practice, neoliberal capitalism is responsible for the casino-economy that has globalised in the world today.
>
> "The disease manifest in the hypertrophy of money and over-indebtedness can only be surmounted by a national and planetary system of planning and regulation, capable of liquidating these ailments at their root. Capitalism itself is unlikely to set up such a system, since the capitalists do not want to see that this is a disease – and one that could be fatal to the system itself. When they do realize, they are unwilling to take radical curative measures, because these measures too could be fatal to the system! In fact, capitalism is increasingly squeezed between these two pressures: on the one hand, pressure for the various forms of money issues and indebtedness to be planned and for capital flows to be regulated; and, on the other, the risk of bankruptcy throughout the capitalist system if it fails to adopt these measures" (Arruda, 1999).

This curious paradox compounds the lack of any long-term pragmatic vision on the part of the “pragmatic” governments and businessmen who worship the market and money as gods.

The roots of the financial crisis

The world has been flooded with virtual money. Paper wealth that does not correspond to any material goods. Speculative money, convertible into material fortunes while trust prevailed. If the real connection of that money were to fail – in the case, millions of debtors in the real estate sector failed to pay their mortgages as the interest rates went up steadily in the US – the whole chain of virtual money would collapse. And it did.

What explains such irrational behaviour of economic agents? First, an objective factor: the divorce between real and virtual money and increasing prevalence of virtual money; the commoditization of money and currencies, houses, land, food, natural resources and everything that can become the object of speculation; in one word, the massive creation of fictional wealth. Second, a subjective factor: greed, voracity to accumulate material wealth beyond its use value. The ego of accumulation.

The outcome has been over indebtedness of individuals, families, enterprises, States. Over concentration of financial gains. Stagnation of purchasing power (real money) in relatively too few hands.

Financial institutions serve a certain mode of development. The existing ones have served the ideology of neoliberal capitalism that reduces development to endless growth and unlimited search for profits and capital accumulation by private actors regardless the costs for society and for the natural environment. An international financial architecture will be new if it is aimed at strengthening *the capacity of citizens and communities to plan and manage sustainably their own endogenous, democratic and sustainable socioeconomic and human development*.

Corporations repeat and repeat this motto: “We are too complex to be regulated. Give us the freedom to regulate ourselves.” Scandals like Enron and WorldCom, the recurrent financial crises, the collapse of the real estate sector in the US, UK, Spain, etc., and the profound socioeconomic crisis of 2008 onwards prove that corporations only know deregulation! And by promoting the logic of deregulation, multilateral financial institutions, namely the IMF, the World Bank and the regional banks, have constantly violated their Statutes and frustrated their mandates. One example: the Isle of Jersey, one the current European fiscal havens, has a law of reverse taxation: the wealthier you are, the less you are taxed. Fiscal havens provide legal tools that facilitate fiscal evasion and capital flight. Derivatives and complex financial products are ‘weapons of self-destruction’ (W. Buffett) and express the endless thirst for the highest profits at whatever cost. Neoliberal capitalism has promoted a recent systemic shift from entrepreneurial investment risk to risk taken by parasites who speculate in order to achieve immediate gains at any cost. Transnational banks and corporations (TNCs) not only prevail over the economies of nations and the world, but also influence government policy using legal and illegal means. They are key

actors in the financial casino, and they also benefit from a perverse transfer of capital and natural resources from the South to the North.
Extreme inequalities of income and wealth are the result.

Profiting without producing

This, in a word, is the corporate governance keynote of the advanced stage of world capitalism: profiting without producing. While 1.2 billion men, women and children suffer and die of hunger in the world, others make fortunes without producing, just by speculating. From the standpoint of the majority of the earth's inhabitants and ecosystems, such an economic system is irrational, inefficient and immoral. Added to which, it continuously reproduces a profound division of societies and our species into social classes which transcend national territories and are globalising. The nomenclature "Global North" and "Global South" thus appropriately and accurately identifies how humankind is divided into social classes by the system of capital – and even more cruelly now that financialisation has brought all its deficiencies, inequalities, violence and insecurity to the point of paroxysm. So what does that financialisation look like in figures?

In 2002, writes François Morin (2006), the value of speculative transactions worldwide reached a new plateau of US$ 1,122.7 trillion. That's right: one quadrillion, one hundred and twenty-two trillion and 700 million dollars, including 699 trillion in transactions with derivatives, 384.4 trillion exchange transactions, and 39.3 trillion in financial investments. That total is 34.76 times the US$ 32.3 trillion of transactions in goods and service, i.e. the real economy.

Nonetheless, in the years that followed, the situation got even worse. Between 1993 and 2002 transactions in products guaranteeing derivatives rose from US$ 200 trillion to US$ 300 trillion. From 2003 to 2004 that went from US$ 300 trillion to US$ 874 trillion! Note that, in 2002, hedge fund products accounted for 50% of the day's business in London and New York. These funds' activities are opaque and speculative: instead of applying with a view to reducing risks, they have come to seek futures applications, which are riskier but more profitable if they secure a lower buyback price. Hedge fund products include organised, standardised and easily tradable market products; and swap contracts. The former represent US$ 23.8 trillion, their turnover rate is high and they are purely speculative transactions. Swap contracts totalled US$ 122.5 trillion and turnover is low.

World stocks of financial products stood at US$ 186.3 trillion in 2002, that is 4.62 times larger than that year's world GDP, plus goods and service imports, all of which came to US$ 40.3 trillion. Thus, it is clear that financial transactions have nothing to do with economic activity – but the financial bubble is both real and menacing.

SPECULATION VERSUS REAL ECONOMY
(in US$ trillion)
2002

	Financial Speculation	Real Economy Goods and Services
Transactions	**1,122.7**	**32.5**

Stock of products	**186.3**	**40.3**

Source: François Morin, 2006.

Let us focus on the outcome of the crisis for the different actors of the global casino[3]:

* Global GDP lost $ 3.7 trillion in 2009, as compared to 2008.[4] Global trade volume of goods and services fell 11.9%. The world lost $ 4.5 trillion in exports. Global sales in 2009 were the lowest since 1937. Global industrial production retreated 15%. Global trade volume of goods and services fell 9.5%.

* Unemployment in major advanced economies jumped from 5.45 percent in 2007 to 5.89 in 2008 to 8.24 in 2009. Unemployment in China reached 20 million in 2009. Japan exports fell 46% in 2009 and imports fell 32%.

* Emerging countries' GDP fell $ 1.1 trillion in 2009 vis-à-vis 2008.[5] Latin American exports fell 24%.

* Even more relevant, private financial flows to emerging countries and other developing countries fell from $ 664.48 billion in 2007 to $ 129.52 billion in 2008, to – $ 52.49 billion. The total value of this capital flight in three years was $ 749.02 billion! This shows how uncommitted financial capital is with respect to anything other than their own interest and greed.

* Net foreign direct investment in emerging and developing countries fell nearly 48% between 2008 and 2009. Add an increasing trade deficit due to the collapse of global demand and, from the viewpoint of the establishment, the situation became dramatic and demanded seeking new foreign loans to balance the current accounts *and to serve the existing foreign debt*.

* The external debt of those countries jumped from $ 4,306.8 billion in 2007 to 4,575 billion in 2009. The added total debt service for these three years was 3,688.26 billion, confirming that "the more they pay, the more they owe" – the dreadful vicious circle of endless indebtedness.

* In 15 months up to Jan. 2009 the US became $ 16.5 trillion poorer. This amount is worth more than one US GDP, and more than 12 Brazilian GDPs. Most families in the US invest mainly in real estate and in capital markets, and these were the two areas that fell most steeply.

All in all, the global economy being highly depended on the US currency, there is no means to avoid a financial turmoil when the US economy was hit by the 2007-2008 speculative earthquake. And the worst casualties were, once more, the poorer social classes and the poorest countries.

---

[3] Data to be found in the IMF website:
http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/weoselagr.aspx

[4] From $ 60,917.48 billion in 2008 to $ 57,228.37 billion in 2009.

[5] From $ 18,686.01 billion in 2008 to $ 17,594.49 billion in 2009.

Speculation

If you stand between two mirrors and look into one of them, what do you see? An endless succession of images of yourself. In the other mirror, another endless stream of images of yourself. But only one *you* is real! "Speculate" comes from the Latin *speculum*, a mirror. It produces money from money and not by producing any real wealth. But why do that? It is a consequence of the fetichisation of money. Greed, a thirst for gain, for accumulating money without limit.

On that point economist Muhammad Yunus is quite right in his interview by *O Globo* newspaper (12 October 2008). He is mistaken, however, when he says that the capitalist system is not responsible. There certainly is a culture of maximising profits, but there is also a system of institutions and social relations that embodies that culture! The core and ethics of capitalism is to accumulate profits, money, capital, material wealth – and the only people who matter are those who have capital. That capital is created by human work, but to capital working men and women are merely "factors of production", along with capital-money, raw materials, machinery, land, energy and so on. Therefore, it is the system of globalised capital that is responsible, in the first and last place, for the financial crisis that is shaking the world: its compulsion to grow indefinitely, its mode of "development" and "progress" (which comes down to a pattern of compulsive production, consumption and predatory exploitation of ecosystems), its universe of values (greed, selfishness and competition)[6], and its institutions of global governance (particularly IMF, World Bank and WTO).

What did the financial crisis do to the world's billionaires?

The number of billionaires fell from 1,125 to 793. Their fortunes retreated from $ 4.4 trillion to $ 2.4 trillion from 2008 to 2009. The three richest – Bill Gates, William Buffett and Carlos Slim – had an aggregate loss of $ 68 billion (up to Feb. 23, 2009).

Their fortune shrank from $ 180 billion to $ 112 billion. Yet, out of the 50 African countries only three (Algeria, Nigeria and South Africa – mainly exporters of oil and minerals) had higher GDPs (US$ current prices) than the added fortunes of these three individuals in 2009!

Crisis of insolvency and Corporatocracy

When the US Federal Reserve Bank raised the prime rate nearly 5 percentage points, massive numbers of real estate owners could no longer pay their debt: the confidence in the whole financial system began to collapse. A large number of debtors failed to pay, as had already happened in the early 80s with the external debts of countries of the South (Arruda,

[6] I am not stressing here the moral dimension of these values, but the fact that they are a source of imbalance and unhappiness, 'naturally' inherent in the structure of the market-profit-consumerism system. The change has to be structural and systemic, if we want to overcome these values and replace them with a culture of sharing, altruism and cooperation – the only path to social harmony, happiness and fulfillment.

1988). The investment banks, insurance companies and other finance companies that had acted as croupiers in the global casino and went bankrupt were salvaged with public funds! But there was no compassion for the over-indebted countries of the Southern hemisphere when they suffered the effects of the United States' unilateral interest rate hikes in the late 70s. Most of those debts were in dollars, under flexible interest rate provisions.

The Citizens Audit of the debt, part of Jubilee Network Brazil, calculated that if the interest rate on dollar loans had remained at its historical mean level (of around 6%) Brazil would have paid off its external debt by 1989 and would even be entitled to US$ 161 billion from its foreign creditors in interest overpaid between 1973 and 2006.[7] Remember that nearly half of Brazil's external debt was taken out by illegitimate governments under the military dictatorship. While Ecuador set an example for the continent by conducting a thorough audit of its external debt, thus laying the technical and legal foundations for sovereign renegotiation with its creditors, the Lula government turns a deaf ear to civil society organised in the Jubilee Network Brazil (which is pressing for a thorough audit of Brazil's public debt), meanwhile insisting on maintaining the masochistic cycle of increasing public debt, high interest rates and unmanaged exchange.

The embarrassing question to be asked in the current crisis is: who is insolvent? Apparently, the poorer families who grasped the opportunity of low mortgages rates and irresponsible loans; private financial and banking firms in the US; then, all those who bought junk bonds from the seeking easy and quick gains. In reality, the US government is the largest debtor. Chossudovsky shows that, as it transfers public funds to private hands, arguing that they are alleviating the banks' burden of bad debts and non-performing loans, in fact these massive amounts are being used by a few mammoth corporations to consolidate their position in the global financial system.[8] A clear indication that the crisis is intensifying the trend towards global monopoly, as we shall see below.

In early 2010 the US economy shows unequivocal signs of bankruptcy.[9] In a recent article, Porter Stansberry recalls the Greenspan-Guidotti rule[10] to show that the US total reserves – adding $300 billion in gold, $ 58 billion in oil, and $ 136 billion in foreign currencies – is about $ 500 billion, or one fourth of the nation's short-term debt. The only way for the US to avoid bankruptcy/default will be, once more, to use its power as printer of the global currency, but this will raise the risk of a global crisis of hyperinflation and the final collapse of the US dollar…

Chossudovsky goes further, unveiling the real power of corporatocracy over the US State:

> "The mainstream media suggests that the banks are being nationalized as a result of TARP, In fact, it is exactly the opposite: the State is being taken over by the banks, the State is being privatized. The establishment of a Worldwide unipolar financial system is part of the broader

---

[7] Auditoria Cidadã da Dívida, Boletim No. 12, 31 May 2005, Brasília, DF. http://www.divida-auditoriacidada.org.br/

[8] See Michael Chossudovsky in http://www.globalresearch.ca/index.php?context=va&aid=15254

[9] http://www.silverbearcafe.com/private/02.10/bankrupt.html

[10] "to avoid a default, countries should maintain hard currency reserves to at least 100% of their short term foreign debt maturities."

> project of the Wall Street financial elites to establish the contours of a world government. In a bitter irony, the recipients of the bailout under TARP and Obama's proposed $750 billion aid to financial institutions are the creditors of the federal government. The Wall Street banks are the brokers and underwriters of the US public debt, although they hold only a portion of the debt, they transact and trade in US dollar denominated public debt instruments Worldwide. They act as creditors of the US State. They evaluate the creditworthiness of the US government, they rank the public debt through Moody's and Standard and Poor. They control the US Treasury, the Federal Reserve Board and the US Congress. They oversee and dictate fiscal and monetary policy, ensuring that the State acts in their interest. Since the Reagan era, Wall Street dominates most areas of economic and social policy. It sets the budgetary agenda, ensuring the curtailment of social expenditures. Wall Street preaches balanced budgets but the practice has been lobbying for the elimination of corporate taxes, the granting of handouts to corporations, tax write-offs in mergers and acquisitions etc, all of which lead to a spiraling public debt…
>
> "Public opinion has been misled. The US government is in a sense financing its own indebtedness: the money granted to the banks is in part financed by borrowing from the banks. The banks lend money to the government and with the money they lend to the government, the Treasury finances the bailout. In turn, the banks impose conditionalities on the management of the US public debt. They dictate how the money should be spent. They impose "fiscal responsibility"; they dictate massive cuts in social expenditures which result in the collapse and/or privatization of public services. They impose the privatization of urban infrastructure, roads, sewer and water systems, public recreational areas, everything is up for privatization."

Crisis of confidence

On the peak of the crisis even banks have stopped lending to one another. Mistrust started to reign supreme and the State was required to channel funds into cleaning up the accounts of speculative agents and boosting consumer credit. In psychological terms, the aim was to defuse the crisis of confidence which tends to make people and companies prefer not to spend and not to lend. With no credit and no demand, industrial companies' stocks are building up, while they cut back on production and payrolls, and the whole system starts to fall apart. In Brazil, it was discovered that private banks and large industrial corporations had been speculating with derivatives and exchange – without their shareholders or investors suspecting the risks involved![11] Now they are suffering significant losses! By 18 November 2008, the government announced "anti-crisis package" measures worth R$ 373.5 billion, including massive input from the national Economic and Social Development Bank, BNDES, to facilitate lines of credit for large and medium-sized firms, tax breaks, and lines of financing for foreign automobile assembly plants. Quicker and more effective would be to apply reforms to redistribute income and wealth in Brazil, which has long been promised, but never done.

Intensifying trend towards monopoly

The news of Brazilian Itaú's buyout of Unibanco – to form the largest banking conglomerate in the Southern hemisphere, with assets valued at R$ 575 billion – comes as no surprise. This is the natural movement of capitalism towards increasingly oligopolistic

[11] See cases of lies or uninformed advice from bank and financial institution staffs to their clients in Izique, Claudia, *Horas Diabólicas*, in the magazine EU&, Valor Econômico, 17-19 October 2008: 4-7.

markets. It generally intensifies during cyclic crises of over-production or over-speculation, like the one facing the world at present.

This movement is suicidal, because the scope of what can be termed "market" is narrowing. Where there is no free interaction between supply and demand – runs the capitalist doctrine – there is no genuine market, but rather a kind of monopolistic dictatorship. The monopoly power to manipulate prices, needs and desires to satisfy its own insatiable thirst for profits prevails over all other criteria or ethics.

In the context of the world financial crisis which began to release toxic gases in 2007 and erupted for the first time in September 2008, this movement forms part of the intensifying trend towards monopoly capitalism, as amply examined by writers ranging from Marx to Paul Sweezy, Paul Baran and Harry Magdoff. Monopoly,[12] oligopoly or cartel are a compound problem: they confine the activities of less-wealthy or less-powerful actors; they manipulate prices at their whim, seeking maximum profit and imposing a levy of exploitation on buyers and consumers; they externalize costs at will, burdening consumers, taxpayers and the environment; they gain ever greater power to influence centres of power, funding electoral campaigns and sowing corruption among public servants and government authorities in order to obtain ever greater benefits and enjoy virtually absolute impunity; and so on. More serious still, however, is that the bigger the corporation, the smaller its ability to adapt to changing social and environmental conditions. That is why I do not hesitate to use the *Tyrannosaurus* allegory to describe them, comparing them with the giant dinosaurs that vanished in the Late Cretaceous, when there was rapid, planet-wide climate change. Nor do I hesitate to call the political system that prevails today in capitalist countries, including Brazil, a "corporatocracy" – a term used by John Perkins in his striking book on the strategies of the United States empire (Perkins, 2004).

Those who praise the Itaú buyout of Unibanco, and all the other mergers and buyouts that are taking place around the world,[13] seem to ignore some important facts. The first is that this new conglomerate holds assets equal to about 25% of Brazil's 2007 GDP! Even though the total worth of these assets is small compared with major banks in the North, it is highly significant in relation to Brazil's national income. Note that, in the years preceding the crisis, these two banks enjoyed extraordinary profit margins, a significant portion of them from their speculative activities and by virtue of their holding internal public debt bonds,

[12] *Monopoly* is exclusive control of a market by one single seller. At the other extreme is *monopsony*, which is exclusive control of a market by a single buyer. Every person, community or enterprise is a human quantum within the natural-social system (noosphere-biosphere) it belongs to, just as every cell in the body is a vital quantum inseparable from the organism it forms part of. What happens when one cell decides to grow without limit, to feed off the others until it is finally the only cell in the organ or even in the organism, is fractally proportional to what happens when one person, enterprise or country takes a similar decision!

[13] In Brazil, 2009, mergers and acquisitions mobilized nearly US$ 90 billion, or 32% less than in 2008. There is a clear trend towards market concentration and capital centralization, strongly backed by the Lula government with funds from the National Bank for Economic and Social Development and the Bank of Brazil. President Lula's strategy is to support the creation of competitive Brazil-based mega conglomerates with potent global reach. Precisely the opposite of what the Workers' Party was elected for, i.e., to reshape the economy towards an endogenous, sovereign, democratic and sustainable mode of socioeconomic and human development.

which yield the highest rates of interest anywhere in the world.[14] Note also that Itaú and Unibanco together surpass Bradesco (assets of R$ 422.7 billion) and Santander-ABN Amro (R$ 328.1 billion). On 21 November 2008, Banco do Brasil announced it was purchasing a 71.25% stake in *Nossa Caixa*, raising it to second place in the saurian stakes, with assets of R$ 512.4 billion. This trend towards concentration is also advancing in the USA, supported by the US government. Here are two examples:

> * The three largest banks – Bank of America Corp., J. P. Morgan Chase & Co. and Citigroup Inc. – held 21.4% of all deposits in the United States at the end of 2007; with the government-backed sales of bank assets – of Washington Mutual Inc. to J.P.Morgan and of Wachovia Corp. to Citigroup – the big three came instantly to hold 31.3% of all deposits.[15] Other smaller banks are being snapped up by the bigger banks, aggravating bank concentration in the USA.
>
> * Freddie Mac and Fannie Mae – the two government-sponsored insurance companies that were thrown a US$ 85-billion lifeline by the US Treasury – held US$ 740 billion in credit between them in 1990; US$ 1.25 trillion in 1995; US$ 2 trillion in 1999; US$ 4 trillion in 2005. In September 2007, just before they were bailed out, their assets totalled US$ 5.4 trillion, 45% of all mortgage finance in the USA or roughly half the United States GDP!!! The guarantees of these two colossal financial dinosaurs underwrote 97% of all mortgage lending. They were the end of the real estate chain, they were those who sold insurance on debt papers, which had multiplied unchecked in a greedy irresponsible spiral. This acceleration in the value of their assets resulted from the real estate bubble of 2001-2006 and the speculative tidal surge brought on by flourishing financial engineering (Warde, 2008:15).

The second fact is that the new oligopolistic tyrannosaurs are emerging precisely as the moment of their extinction approaches... Certainly, because the financial crisis is surely going to worsen over the next two or three years. And that is not hard to foresee, given that world economic policy authorities are unwilling to examine the deep-seated causes of the crisis:

- a Himalayas of speculative money, with no basis in the real economy, and for that very reason no chance of being salvaged out of public funds;
- the free hand given to central banks and financial agents to manipulate the usury rate at will; the lack of regulations to ensure that finance serve as a tool for investment in production;
- the tax havens, the secret jurisdictions and the thousand-and-one channels for tax and exchange evasion offering refuge all over the world;
- the irresponsibility of the major banks and industrial corporations seeing abundant, easy profits in financial speculation;

[14] According to economist Adriano Benayon, “in 2007, the profits of 31 banks operating in Brazil increased to R$ 34.4 billion, that is 43.3% real growth over 2006, when profits reached R$ 25.05 billions. Return on assets grew from 21.2% to 24.3%. That real growth of 43.3% by those 31 banks – which include the group of five with the largest profits – exceeds the latter’s percentage growth of 30.6% or R$ 27.89 billion in 2007. From 2005 to 2006, the real increase was 19.73%” (*Brasil de Fato,* 12 March 2008).
[15] The Wall Street Journal, 2 October 2008, in *Valor Econômico*, p. C5.

- and, permeating all this, the compulsion to grow, to consume, to grow more, to consume more, and to inundate the earth with garbage and refuse of all kinds.

II - TRENDS

"This is the limit for capital: the limits of the Earth".
Leonardo Boff

The system centred on capital, profit, the ideology of scarcity and unlimited economic growth for companies and the material economy has no intrinsic ability to generate anything beyond itself. As long as the geographical area of the planet has permitted it to expand, it has advanced, multiplying and globalising goods, services, markets and the appetite for consumption. This system that promotes greed, voracity, the scarcity fix, and permanent competition among people, companies and nations has come to the beginning of the end – without managing to accomplish what it calls "development" and "progress" for all peoples and citizens, but depredating or lethally jeopardising the best part of the Earth's natural resources and ecosystems. We live at a point in human history when a civilisation, its cultural ideas and its mode of social, economic and political organisation, is heading for extinction. Meanwhile, budding and meshing within it are factors that herald a new civilisation and a new paradigm for being human and living on Earth.

The risks of systemic global crisis stemming from the way the economy is currently organised and operated are compound. Elsewhere I have gone into them in some detail:

(1) the risk of collapse in the global financial system;
(2) the risk of social upheaval on a continental or even planetary scale;
(3) the risk of major armed conflicts with strong potential for nuclear escalation and for proliferating worldwide at some unpredictable point;
(4) the risk of large-scale ecological crisis, particularly under the effects of global warming, given the lack of will among the powerful to take radical measures in time to reduce and mitigate the various consequences (greenhouse gas emissions, tropical forest fires, rising atmospheric and oceanic temperatures, melting of the icecaps, rising sea levels, altered sea currents, and scarcity of fresh water), which in turn become the causes of still more warming;
(5) the risk of an energy crisis related to the quick decline of fossil fuel reserves in face of increasing global demand for oil; and
(6) the risk of a food crisis due to the massive conversion of productive land from food production to the production of agro fuels.

Any one of these risks could, on its own, bring on planet-wide disaster and, if they happen together, that could be catastrophic to human life on Earth.

Another financial crisis has happened, more virulent than the former ones. As pointed out above, it is essentially global and systemic. The financial crisis threatens the real economy with the risks of **stagflation** (industrial stagnation combined with mass layoffs and high prices resulting from financial costs), **deflation** (continuously falling prices, caused by overproduction and surplus stocks immobilised by the market collapse brought on by an abrupt loss of purchasing power among consumers and national currencies), and even

depression. That is when the financial crisis becomes a dramatic economic and social crisis – there is no investment, demand collapses, production grinds to a halt, employment and purchasing power evaporate, and staples become scarce and expensive. Impoverishment becomes endemic and the risk of social chaos is imminent. To these must be added the risks resulting from the tendency for global warming to intensify exponentially.

At this point the king has no clothes: capitalism bares its chaotic real nature and there is imminent risk of elites resorting to war. Now war has two lightning effects: it reactivates the economy by weapons production and trade, which involves complex production chains in manufacturing death; and it distracts people from the systemic crisis and from pressing for radical, far-reaching social and economic change. Capitalism is an entropic system, which tends to reduce everything and everyone to merchandise and to make more and more extravagant use of energy with no concern for replacing it or for the resilience of the systems it commands (from economic and financial systems to ecological systems). All agents, in their historical time and place, are made to dispute a breakneck race against all comers to grab the carrot of happiness for themselves to the exclusion of all others. The carrot, however, dangles from the tip of the stick of material wealth, which in turn is tied to each competitor's back. The result is the inevitable tendency of the world capital system to dissipate energy and to chaos.

However, our complex matrix of likelihoods comprises yet another scenario. It falls to those who perceive these trends and who wish to prevent civilisation as a whole from crumbling into shambles, to link up their awareness and will in webs of non-hierarchical relations connected by the synapses of mutual help, affection and an openness to others as diverse and complementary beings. The end of this stage of History can be the dawn of a new age, a time when the Noosphere transcends this money-grubbing era that has shackled it to material treasures. Such a time will harbour respect for life, for its diversity and its incessant upward movement towards greater complexity and spirituality. In such a time humankind will be attuned to the cycles of nature and the mysterious rhythms of the Universe.

III - ALTERNATIVES

The tsunami of unreal wealth that has inundated the planet is destined, for better or for worse, to ebb. All the public monies in the world put together cannot save it or cover the speculators' losses. If the authorities should try to do so, they would flood the world with another tsunami of unreal wealth, closing a catastrophic and irrational vicious circle. If they fail to change the rules of the financial game, hyperinflation or stagflation, more wealth concentration and deeper trenches between social classes will be unavoidable. The decision taken by those who met at the G-20 in São Paulo, and then in Washington D.C., in November, 2008, and the measures taken by national and global authorities ever since, barely scratched the surface of the problem. An accommodation was reached between the neoliberals and the advocates of a "new capitalism" with a greater State presence. The former can countenance a State presence only for as long as it takes to set national and global finances to rights, after which it should withdraw so that the gains can be privatised. Meanwhile, the costs are to be socialised. After that, it will be business as usual… until the next crash. The latter feel the State should remain, regulating, overseeing and redistributing the surplus produced by society. But each State should act on its own initiative, with no organic arrangements among States and only discretionary compliance with whatever rules are enacted to discipline financial flows.[16]

Their promise to detail these corrective measures within six months since that meeting was no consolation: the crisis continues corroding the structures, and we all know that, unless the measures are radical and urgent, the world financial system will tend to spontaneous combustion in a matter of months or very few years, with terrible consequences for the real economy and particularly the working classes and the excluded.

The measures to be adopted are short-, medium- and long-term. They depend on their authors' strategic goals. So the sponsors of solutions to the crisis fall into three types.

1. Those who restrict themselves to the surface symptoms and propose ad-hoc reforms "so that things return to normal as soon as possible". Their assumption is that "normal" is good for everyone. They would be satisfied with temporary State interventions to transfer public money to banks and corporations at risk of failure, thus salvaging their capacity to offer credit and boost GDP in the short term. Their horizon seems limited to cushioning the impacts of the financial crisis and stimulating countries' domestic demand by fiscal measures.
2. The social democrats of various persuasions, echoing Keynes, advocate a State-controlled economy, at least as long as the crisis lasts. They talk about placing finance at the service of business and the citizenry. And they plan to "re-found global capitalism" by completely reforming the financial system (Nicolas Sarkozy, in *O Globo* newspaper, 16 October 2008, Rio de Janeiro).
3. Lastly, there are those who envisage a conceptual movement towards comprehensive development for humankind – person and society – that should be endogenous, sustainable and based on solidarity. That, in turn, entails global economic planning, starting from the community and returning to it with complementary resources and investments at the national and regional level to support and leverage local development that is plural, concerted and harmonious. For such development to occur there is an urgent need for a new financial architecture that integrates the local level with national, continental and global levels and, in that context, re-signifies the role of the United Nations as a potentially effective institution of global governance. It is on that perspective that I offer the following proposals. They imply strategies and work to change the power correlation, which are the responsibility of social movements.

At the national level:[17]

[16] Declaration published following the G-20 meeting on 15 November 2008 in Washington D.C. (www.oglobo.com.br/economia)

[17] To those wanting more detail of the proposals submitted to the Brazilian authorities, I would recommend reading Gonçalves (2008) and Lesbaupin (2008).

(1) **Restore people's power to plan and to pursue their own development**, individually and collectively, from the local and community level up to the national and global level, combining social management with State management. Capital apparently is allergic to planning. In fact it is not, but it only accepts that private firms should have the right to plan. The central planning paradigm has proved a failure, because it imposed targets and processes on people from above. In the view of an ethical economy, social planning and self-management are combined with State planning and macro management in order to design the best and most efficient development plans! Finance should be seen as just one means, because the end should always be to develop the material and immaterial potentials of the human person and collectives, and to achieve comprehensive well-being and happiness. Endogenous, democratic, sustainable, solidarity-based development is essentially bound up with meeting human needs and fully achieving rights, particularly the rights to a decent life, to democratic sharing of productive goods and resources, to well-being and happiness. Such development cannot be evaluated and measured by present indicators of wealth. The whole concept of wealth has to be broadened to include the riches corresponding to the cultural, psychological and spiritual development of persons and collectives. It is indispensable and urgent for the oppressed classes to organise and build alliances, so as to establish concrete self-managed, solidarity-based social relations of production within and at the margin of the capital system. Such a process will have the power to attract growing contingents of workers who are either unemployed, or in precarious or informal occupations, as well as politicians and entrepreneurs conscious of their eco-social responsibilities, to the field of a responsible, plural, solidarity economy.

(2) **Public funding should be channelled as a priority to creditors of the social, historical and ecological debts,** so as to help them rebuild their family and community economic life, by enabling them to stay solvent and increasing their purchasing power. That is the fairest and most durable immediate measure. It would alleviate the crisis of liquidity and insolvency at the locus of the real economy and in the realm of real needs, instead of acting only at the locus of the financial institutions and the realm of supply. Unfortunately, governments only seem willing to take palliative measures, such as continuing with the now widespread practice of transferring public funds to banks – the big winners in the global casino – and to companies that preferred to run the risk of speculating rather than investing in production. That is just to postpone the final explosion.

(3) **Restructure national financial architectures to serve a mode of development oriented towards the needs and aspirations of people, communities and the nation.** This is no dream. It is a viable goal that depends on the political will of politicians, on new legislation, and on the power of pressure of organized people. These are the practical measures proposed for Brazil:

- eliminating the myth of the independent Central Bank[18], rather making that institution responsible for monetary and fiscal policy at the service of a national plan for endogenous, sovereign development;

[18] Central Banks, when they are not responsive to a public, comprehensive development plan that responds to the material and immaterial needs of society, do not serve the overall interests of the Nation, but only the narrow interests of private banks and corporations.

- overseeing capital inflows and outflows and monetary and financial markets, framing them in terms of the country's sovereign national development plan, rather than the expansion plans of individual corporations;
- reconnecting finance and currency to the real economy by creating regulations, limits and compulsory rules on capital flows and the issuing of various forms of money by private agents;
- promoting policies to control or eliminate the institutions and mechanisms that foster or favour speculation, such as derivatives, futures markets, fiscal havens and other secret jurisdictions, and others;
- pursuing a policy of low interest rates with a ceiling, which meets the needs of consumers and the industrial sector, rather than being an instrument of usury;
- adopting and using exchange controls as a tool for financing endogenous, sovereign development policy;
- revoking tax waivers on foreign investments in stock markets, land ownership and waters;
- democratising public budget management, including holding a thorough audit of the federal public debt in order to lay the technical and legal foundations for sovereign renegotiation of the amount owed and its payment, considering also the historical, social and environmental debts of which the working population is creditor;
- transforming Complementary Law No. 101, of 4 May 2000 (Brazil's "Fiscal Responsibility Law"), into a Law of Fiscal and Social Responsibility, prioritising the social aims of the public budget over payment of interest on financial debts;
- overseeing investments in technological research and development, so that innovations are created and introduced with a view to self-managed, sustainable human and social development;
- changing the system of exclusive ownership of production goods and resources: work, land, water and energy should not be considered as merchandise; and
- promoting community oversight of community finances, through measures to decentralise money, stimulate the proliferation of self-managed savings and loan institutions, community banks and ethical banks, the use of complementary currencies and appropriate legislation to support them.

(4) **Taking effective measures to redistribute income and wealth:** agrarian reform, reintroducing millions of landless, income-less working families into the countryside in conditions to produce; fiscal reform, prioritising public investment in the domestic economy and in social areas and explicitly limiting spending on financial debts; progressive tax reform, including levies on large fortunes and preserving the constitutional sources of social security funding; financial, monetary and exchange reform; and a national basic "citizens' wage" policy.[19]

[19] One sponsor of this idea, Senator Eduardo Suplicy, whose book "*Renda de Cidadania – a Saída é pela Porta*" presents eminent examples of this policy's success in other countries. The proposal submitted to the State in Spain by two Catalan parties includes a tax reform that would permit a citizen's income of 200 euros per month for each child and 500 euros per month for each young person and adult.

(5) **Declaring that finances and money are, in their essence, a public service.** Therefore, their priority should be to serve to generate purchasing power, equity and well-being for all. Keynes' advice should not be forgotten: the country that wishes to have control over its own development must have control over its own finances. Financial activity should not be an end in itself, and its prime motivation should not be profit, but rather to serve to create wealth to meet human and social needs and to support the integration and sovereign, democratic, solidarity-based development of the peoples of Latin America and the Caribbean. That should be the purpose of public banks such as Bank of the South, BNDES, Banco do Brasil, Caixa Econômica Federal and the State banks.

On the international level:

(1) **Creating internationally orchestrated, compulsory regulations and levies on financial stocks and flows;** and bringing financial institutions partly under government and inter-government control.

(2) **Creating institutions at the national, continental and global levels** with the power to enforce such rules and impose sanctions on agents who breach them.

(3) **Dismantling tax havens and secret jurisdictions**, which, through undemocratic secrecy, permit laundering of illegal money and capital and exchange evasion.

(4) **Radically reforming multilateral financial institutions**, their principles, functions and modes of operation, so that they fulfil their respective roles as orchestrators of the equitable, sustainable development of peoples, and regulators of world financial equilibrium at the service of such development.

(5) **Recognising that this is not just a finance crisis.** It is yet another crisis in the capitalist mode of production, in the system of power centred on capital and on the mega-corporations that hold it. It is a crisis in the neoliberal economy that has dominated the planet for the last three decades. And it signals another, more deep-seated crisis: it is a multidimensional, systemic crisis, a crisis of our civilisation, which affects the objective and subject dimensions of human and social existence on the planet and calls the system of globalised capital into question. The capital class's submission of the working classes worsened and expanded when, in present times, the already retrograde "producing by exploiting the work of others" began to regress into the now prevailing "profiting without producing". The labour surplus from all society has becomes fodder for speculative parasites. They fatten without limit, to bursting point, which the globalised capitalist world is approaching perilously and unhesitatingly.

(6) **Promoting sustainable globalisation in solidarity.** Thoroughly solving the crisis entails recognising the need for a new model of global development that does not rest on selfish, materialist greed, nor the uniformity of one-track thinking, but rather on responsibility, plurality and solidarity among societies and cultures, with enough material abundance, with unlimited production and exchange of non-material goods, and with new indicators in place to measure human well-being and happiness. It should rest on a pattern of conscious consumption directed to *sustainable economic degrowth for the elites* and

planned growth within the limits of natural and intergenerational sustainability for the oppressed or excluded majorities; while avoiding waste and applying to our relations with nature the principle of the four R’s: reduce, reuse, recycle, respect.

The world financial system will collapse in ruins, certainly and with disastrous consequences for the socio-economy and the environment planet-wide, unless those who wield institutional power decide to change radically the role of money and indebtedness, and the underlying meaning of development.

IV - GROSS NATIONAL HAPPINESS (GNH): TOWARDS ANOTHER DEVELOPMENT

“ ‘Always more’ fills the heart with cholesterol plaques instead of happiness!”
Jean-Luc Gérard[20]

Not all the news is bad though. A new indicator of wealth is coming into use and it has the power to realign the whole axis of economic activity and development policy. It obliges governments (planning goals, public budget, public policies), banks, corporations and value added chains to redefine their operating goals in terms of a new index embodying a comprehensive, multidimensional concept of wealth!

In October and November 2008, events on the Gross National Happiness (GNH) index took place in Campinas and Porangaba in Brazil, participants meeting for a weekend at a time, over 1000 at Sesc (São Paulo), 250 at Unicamp (Campinas) and some 150 at Parque Ecológico Ecovillage (Porangaba). Impeccably organised by the monk Susan Andrews, and her extremely efficient team, these three events – plus numerous interviews with the spoken and print media – were attended by three members of the government of Bhutan, a tiny country in the Himalayan foothills between India and China, where the GNH has been applied for the past 12 years with outstanding success; and Michael Pennock and his wife Martha, from Canada. Michael, a health specialist, spoke on the subject of Gross National Happiness as an **index of overall human development**, which in Bhutan has replaced the Gross National Product (GNP), which focuses on economic growth.

“The GNH is a ‘holistic’ approach to human needs, because without addressing both the material *and* the spiritual needs of people-and-society, the ‘good and decent’ society (…) cannot be achieved.” (Thinley, 2007: xv). At its core is thus the postulate that, in today’s world, well-being should be developed simultaneously as physical and vital (social and economic), mental and spiritual. The purpose of the GNH index is to shape the conceptual underpinning and the motivation for an alternative development path which nurtures the process of building a fully developed human person and society. This alternative path takes the GNH as a yardstick for planning and achieving economic and technological development, and thus orienting them to the greater goal of human and social development. The challenge of the GNH is operational but, first and foremost, it is conceptual,

[20] Gérard, Jean-Luc, 2008, “Manifeste à l’usage des jeunes générations. Penser autrement au sein de la nouvelle civilisation numérique : « marier le cœur et la raison », dossier Pangea 2008, Lucerne.

paradigmatic and civilisational. It is also surprisingly synchronised with the crisis in the paradigm of civilisation that humankind is experiencing at this start of the new century and the new millennium.

Bhutan's index reflects indicators covering nine aspects of family and social life:

1. Standard of living – relates to all material needs and the real economy
2. Good governance – sharing in power over decision-making and over managing the economy and development; the relationship among State, social economy and private economy
3. Education for all
4. Health for all
5. Ecological resilience – an ecosystem's ability to return to its original state after being altered by human action
6. Cultural diversity
7. Community vitality
8. Balanced time use
9. Psychological and spiritual well-being.

One of the principles that guide application of these nine areas to public policy is that overvaluing any one of the factors causes imbalances and losses as regards the others. This means that socio-economic development has to be harmonious, omnilateral and omnidimensional. Another principle is that equitable development in each of the fields does not occur spontaneously. It means planning economic and technological development so that economic activity is oriented to achieving the conditions that generate human well-being and happiness. Lastly, there must be a recognition that the economy centred on profit and the individual accumulation of material wealth by the cruellest competition and egocentric corporatism does not foster conditions for the integral development of human persons and collectives, as proven worldwide by the present state of the societies that practice such economies. It must give way to an economy centred on the social individual, on the human person – who is at the same time person and collectivity, female and male, everyday and historical. Socio-economic praxis compatible with GNH rests on values such as cooperation, reciprocity, responsibility, plurality and solidarity.

Eloquent evidence that the current paradigm of development and progress has failed in terms of human happiness in the USA is given by Susan Andrews: twice as many cars in the last 40 years; 21 times more plastics; 25 times more air travel; three times more products produced and consumed between 1950 and 2005. In the USA, one quarter of the population suffers from depression; divorces doubled in the period; teenage suicides tripled; violent crime quadrupled; and the prison population increased fivefold. One of the most serious aspects of the social and human crisis in the USA is the loss of a sense of community. "Every man for himself", the ideological basis of the capitalist system and the system of social classes it engenders, has fragmented society and turned person against person, firm against firm, ethnicity against ethnicity, nation against nation.

The aims of the happiness index are threefold: (1) to go beyond the fallacy of "the more the better"; (2) to persuade people to read the world and the economy differently, and to be more open to changing their social and environmental relations, including their consumption habits; and (3) to influence government choices towards adopting a human happiness index as a tool for planning and evaluating economic and technological development.

Marcelo Neri, an economist with Brazil's Getúlio Vargas Foundation (*Jornal do Brasil*, 7 September 2008:E1) uses a study by the Gallup Institute in 132 countries to demonstrate that increased income and possession of money is not proportional to increased happiness: for every 100% increase in income, nations' overall happiness increases by only 15%. Brazil confirms that observation in the opposite direction: it stands 22nd in the world happiness table in contrast to its position at 52 in the income ranking of the 132 countries! That is, on the income-happiness graph, the happiness curve progresses upwards with income to a inflexion point beyond which more income just means less happiness!

In Brazil, as in other countries, a movement is taking shape to popularise an index of human and social well-being and happiness whose purpose is to influence the way people, institutions and governments measure wealth and how they behave. The GNH index is a very powerful tool for encouraging aware consumption, for supplanting the logic of profit by the logic of integral development of persons and communities, and fostering the adoption of public policies directed to increased satisfaction, well-being and happiness of the entire populations of their respective territories.

Given the threat of global crisis, the GNH movement offers a practical vision of another possible economy. It is conducive to convergence among movements such as the Solidarity Economy networks (Mance, 2002: 42-52 and Verano & Bernal, 1998), which seek to reconceptualise the economy, taking as their central value and meaning the human person as a relational being, that is, as a multidimensional being, at the same time individual and social (Arruda, 2003, 171-222); and the movement for integral, self-managed human development (Arruda, 2006: 151-218), as a process directed to realising the potentials, qualities and attributes of the human person that can generate individual and social life of quality and increasing happiness.

BIBLIOGRAPHY

Arruda, Marcos, 1988, *Prometeu Acorrentado – Os Grandes Grupos Econômicos, O Endividamento Externo e o Empobrecimento do Brasil*, Documento de Trabalho, PACS/PRIES-CS, 69pp, Rio de Janeiro/RJ.

Arruda, Marcos, 1999, "Globalização Financeira Neoliberal: Grave Enfermidade do Capitalismo", http://www.jubileubrasil.org.br/somos-credores/globalizacao-financeira-neoliberal-grave-enfermidade-do-capitalismo/?searchterm=Marcos%20Arruda.

Arruda, Marcos, 2003, *Humanizar o Infra-Humano: A formação do Ser Humano Integral – Homo evolutivo, práxis e economia solidária*", Editora Vozes, Petrópolis.

Arruda, Marcos, 2006, *Tornar Real o Possível: A formação do Ser Humano Integral – Economia solidária, desenvolvimento e o futuro do trabalho",* Editora Vozes, Petrópolis.

Bulard, Martine, 2008, "Uma Nova Geopolítica dos Capitais", in *Le Monde Diplomatique Brasil*, November.

Galbraith, J. K., 1962, *The Great Crash of 1929*, Time Inc., New York.

Gonçalves, Reinaldo, 2008, *Crise Econômica: Radiografia e Soluções para o Brasil*, monograph, 24 October, UFRJ, Rio de Janeiro.

Greenspan, Alan, 2008, "Repel the calls to contain competitive markets", in *Financial Times*, August 4, London.

Gurtner, Bruno and Christensen, John, *The Race to the Bottom: incentives for new Investments?* Tax Justice Network, Bern, Switzerland. Paper presented at the Seminar "Beyond Bretton Woods: the Transnational Economy in search for New Institutions", Mexico City, October 15-17, 2008.

Lesbaupin, Ivo, 2008, *Lições a tirar da Crise Econômica Internacional*, monograph, Iser Assessoria, Rio de Janeiro, October.

London, Frédéric, 2008, "O dia em que o Fed se tornou socialista", in *Le Monde Diplomatique Brasil*, October, São Paulo.

Mance, Euclides, 2002, *Redes de Colaboração Solidária: Aspectos econômicos-filosóficos, complexidade e libertação*, Editora Vozes, Petrópolis.

Martínez Alier, Joan, 2008, *Languages of Valuation*, paper presented at the Seminar "Beyond Bretton Woods: the Transnational Economy in search for New Institutions", Mexico City, October 15-17, 2008.

Marx, Karl, 1847. *The Poverty of Philosophy*. Chapter Two: The Metaphysics of Political Economy, 3. Competition and Monopoly.
[http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch02c.htm]

Maturana, H. & Verden-Zöller, G., 1996, *Biology of Love*, in Opp, G., & F. Peterander, F. (eds.), *Focus Heilpadagogik*. Munich/Basle: Ernst Reinhardt.

Morin, F., 2006, *Le Mur de l'Argent*, Seuil, Paris. http://www.moulinier.info/article-23674632.htm

Perkins, John, 2004, *Confissões de um Assassino Econômico*, Cultrix, São Paulo.

Sandín, Máximo, *Pensando la Evolución, Pensando la Vida*, Ediciones Crimentales, Murcia, Spain.

Silva, Paulo Roberto da, 2009, *Crise Econômica ou Oportunidade Global*, CADERNOS DO CES, ISSN 1413-909X, Universidade Federal Fluminense, RJ, Brazil.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System before the Committee on Banking, Housing, and Urban Affairs, United States Senate, February 24, 2004.

Thinley, Lyonpo Jigmi Y., 2007, "What is Gross National Happiness", in *Rethinking Development – Proceedings of the Second International Conference on Gross National Happiness*, Centre of Bhutan Studies, Thimphu.
[#? http://www.bhutanstudies.org.bt/main/pub_detail.php?pubid=57]

Verano Paez, Luis Francisco & Bernal, Alejandro Escobar, 1998, "Elementos ideológicos y politicos del modelo de Economía Solidaria", in *El Modelo de Economía Solidária: una alternativa frente al neoliberalismo*, Colacot, Bogota, Colombia.

Warde, Ibrahim, 2008, "Fannie Mae e Freddie Mac vão para o brejo", in *Le Monde Diplomatique Brasil*, October, São Paulo.