

FUTURES COMMISSION

# Challenging Corporate Capital: Creating an Alternative to Neo-liberalism

edited by

Andreas Bieler, Robert O'Brien and Karin Pampallis



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# Foreword

The Futures Commission was launched in June 2013 in Johannesburg, South Africa, by the Southern Initiative on Globalisation and Trade Union Rights (SIGTUR), a network of trade unions in the Global South.<sup>1</sup> The meeting was hosted in partnership with the Chris Hani Institute (CHI), a left think tank based at Cosatu House in Johannesburg. Consisting of labour academics and trade union representatives from SIGTUR affiliates and supported by the Rosa Luxemburg Stiftung,<sup>2</sup> the Futures Commission was entrusted with the task of developing economic, social and political alternatives to neo-liberal globalisation. That first workshop began the process of developing ideas and strategies to achieve such an alternative future.

Subsequently, at its Congress in Perth, Australia, in December 2013, SIGTUR identified four key themes as common challenges for all of its affiliates. The goal of the Futures Commission thus was to formulate proposals with an initial focus on the following key areas:

1. labour and tax justice, to ensure that transnational corporations pay their taxes;
2. a fair trade regime which includes a national policy space allowing countries to develop their own industrialisation strategies, and is based on the principles of food sovereignty, resource sovereignty and self-determination;
3. a democracy-driven, public sector transformation as an alternative to privatisation; and
4. in response to the climate crisis, a proposal for a just transition from fossil-fuel capitalism towards an eco-socialist future as an alternative to capitalist concepts of a green economy.

These key areas became the themes of the second meeting of the Futures Commission held in March 2015 in Cape Town, South Africa. Attended by academics, trade unionists and activists from Argentina, Australia, Brazil, Canada, India, the Philippines, South Africa, South Korea and the United Kingdom, the discussion at the three-day workshop was wide-ranging and stimulating.

It was understood that such a workshop could not solve the problems associated with neo-liberalism, nor could it produce a detailed blueprint for an alternative future. Such alternatives can only result from concrete struggles against neo-liberal exploitation. Rather, the aim of the second workshop was to develop proposals for further discussion within SIGTUR affiliates. To help make this possible, it was decided to produce an educational booklet based on the four key papers presented at the workshop. This booklet could then be distributed to and discussed by members of the various trade unions affiliated to SIGTUR. The hope is that this would begin a process in which a conversation about alternatives is broadened and deepened, ultimately resulting in concrete change towards a more just and sustainable future.

This booklet is the result of that decision. It brings together the proposals in the four key areas listed above. Its purpose is to promote educational work in the labour movement across the Global South. We hope that the papers will form the material for study groups. To encourage debate at such groups, we have added a list of discussion questions to each chapter. We also intend to translate this booklet into the languages of the SIGTUR affiliates so that it can be made as widely available as possible.

1. You can find out more about SIGTUR at [www.sigtur.com](http://www.sigtur.com).  
2. See [www.rosalux.de](http://www.rosalux.de) for more information.

We extend our thanks to everyone who made the workshop possible, especially the CHI and SIGTUR members who laboured to make our travels and our discussions take place in an orderly manner. We are also very grateful to the Rosa Luxemburg Stiftung in South Africa for its financial support which permitted us all to meet in Cape Town, and without whom the production of this booklet would not have been possible.

**ANDREAS BIELER**  
**ROBERT O'BRIEN**  
**KARIN PAMPALLIS**

# Abstracts

## **Labour and Tax Justice**

by Nick Bernards, Robert O'Brien and Falin Zhang

The failure of wealthy corporations and individuals to pay their share of tax shifts the burden to less-well-off citizens, or results in programmes and services being terminated or underfunded. This chapter is designed to facilitate discussion about the issues surrounding corporate and elite tax abuse. It begins with some preliminary definitions and makes a suggestion that using a term such as “tax abuse” helps to focus on the implications of tax manipulation, whether it is legal or illegal. Part One looks at the general issue of corporate and individual tax abuse. Corporate activity primarily takes the form of profit shifting, where companies organise their activity to show profit in low-tax jurisdictions. Individual abuse takes the form of asset transferring, where wealth and income is transferred to or hidden in low-tax areas. Part Two focuses upon the issue in developing countries. Drawing examples primarily from Africa, the operation of tax havens, investment routing and transfer pricing are highlighted. Reform measures enacted to deal with these problems are considered, as are the lessons from these experiments. The concluding section raises some points for general discussion.

## **From “Free Trade” to “Fair Trade”: Proposals for Joint Labour Demands towards an Alternative Trade Regime**

by Andreas Bieler

There have been divisions within the global labour movement over free trade agreements (FTAs), part of an expanded free trade agenda covering not only trade in goods, but also services, trade-related investment measures, intellectual property rights and investor-state dispute settlement mechanisms. European, export-oriented trade unions have tended to support new FTAs, as they perceived them to be beneficial for “their” companies, thereby securing their members’ jobs. By contrast, labour movements in the Global South have objected as free trade has often signified deindustrialisation and loss of jobs in their countries. In this chapter a number of key demands are developed, which can potentially be supported by labour movements from all over the world in the collective struggle for a “fair trade” regime. One set of potential demands is suggested around the re-assertion of national sovereignty. Another set of potential demands is directed against the increasing structural power of transnational capital.

## **Democracy-driven, Public Sector Transformation**

by Hilary Wainwright

This chapter analyses the dynamics underlying the push for privatising public services and explores the possibilities for an alternative transformation of the public sector through the active participation of the employees and users of these services. Creating new commons based on co-operation through social mechanisms other than price signals or managerial direction is suggested as a potential way forward. Here, cognitive labour and knowledge are the common element that makes possible the social structure of a commons as an activity and resource for everyone to participate in and to enjoy.

## **Alternative Conceptions of a “Just Transition” from Fossil Fuel Capitalism**

by Jacklyn Cock

This chapter argues that confronting the deepening ecological crisis in a just transition could contain the embryo of a democratic eco-socialist future. The core of eco-socialism is to link the principles of ecological sustainability and social justice. This implies that the socialist emphasis on collective ownership and democratic control of production needs to be connected to a number of other alternative concepts such as food sovereignty and energy democracy. New social forms are emerging from the margins of South African society around these concepts, involving grass-root networks marked by relations of reciprocity, cooperation and solidarity. They embody fragments of a vision of an alternative post-capitalist future.



# Notes about Contributors

**Nick Bernards** is a PhD candidate in the Department of Political Science, McMaster University, Canada.

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**Edward Webster** is research professor in the Society, Work and Development Institute at the University of the Witwatersrand.

**Falin Zhang** is a postdoctoral Research Fellow at the School of International Studies, Peking University, Beijing.

# Abbreviations and Acronyms

ALBA	Bolivarian Alliance for the Americas [Alianza Bolivariana para los Pueblos de Nuestra América]
ANC	African National Congress [South Africa]
AU	African Union
BEPS	Base Erosion and Profit Shifting
BP	British Petroleum
BT	British Telecom
CEO	Chief executive officer
CETA	Comprehensive Economic and Trade Agreement
CHI	Chris Hani Institute [Johannesburg, South Africa]
COSATU	Congress of South African Trade Unions
CSSGJ	Centre for the Study of Social and Global Justice [University of Nottingham, UK]
CUT	Central Unica Dos Trabalhadores [Brazil]
DfID	Department for International Development [UK]
DGB	Deutscher Gewerkschaftsbund [Germany]
DIY	Do It Yourself
DTAA	Double Tax Avoidance Agreement
EC	European Commission
ECA	Economic Commission for Africa [United Nations]
ECB	European Central Bank
EU	European Union
FAWU	Food and Allied Workers Union [South Africa]
FDI	Foreign direct investment
FTA	Free trade agreement
GAAR	Generalized Anti-Avoidance Regulations
GATT	General Agreement on Tariffs and Trade
GFI	Global Financial Integrity
ICFTU	International Confederation of Free Trade Unions
ICIJ	International Consortium of Investigative Journalists
ILO	International Labour Organisation
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ISDS	Investor–state dispute settlement [mechanism]
IT	Information technology
ITUC	International Trade Union Confederation
LME	London Metal Exchange
NALEDI	National Labour and Economic Development Institute [South Africa]

NGO	Non-governmental organisation
NGP	New Growth Path [South Africa]
NUM	National Union of Mineworkers [South Africa]
NUMSA	National Union of Metalworkers of South Africa
OFC	Offshore financial centre
OECD	Organisation for Economic Cooperation and Development
PCS	Public and Commercial Services Union
PSIRU	Public Services International Research Unit
PwC	PricewaterhouseCoopers
R&D	Research and development
SIGTUR	Southern Initiative on Globalisation and Trade Union Rights
SWOP	Society, Work and Development Institute [University of the Witwatersrand, South Africa]
TMAA	Tanzania Minerals Audit Agency
TNC	Transnational corporation
TPPA	Transpacific Partnership Agreement
TTIP	Transatlantic Trade and Investment Partnership
TUAC	Trade Union Advisory Committee
TUC	Trades Union Congress [UK]
UK	United Kingdom
UNEP	United Nations Environment Programme
US	United States
VEJA	Vaal Environmental Justice Alliance [South Africa]
WECCF	Women in Energy and Climate Change Forum
WTO	World Trade Organisation

# Chapter 1

## Alternatives to Neo-liberalism: Labour's Challenge

Edward Webster

## Labour's Challenge

In a context where traditional labour movements are in decline, new labour initiatives are growing in many parts of the world. These new initiatives, new organisational forms and sources of power are emerging at the periphery of traditional labour. There is, writes Jennifer Chun,

a growing interest in a new political subject of labour ... women, immigrants, people of colour, low-paid service workers, precarious workers ... groups that have been historically excluded from the moral and material boundaries of union membership.... Rather than traditional scholarship on industrial relations, new labour scholars are exploring transformations occurring at the periphery of mainstream labour movements (Chun, 2012:40).

In our research and in our engagement with these “new political subjects” – informal gold miners, garment workers in the inner-city sweatshops in Johannesburg, and waste pickers lining up to sell the “waste” they have gathered during the day – we have deepened our understanding of their working lives. These precarious workers are a central part of the modern economy and increasingly part of global production chains.

Asef Bayat (2010: 43–62) speaks of their activities as “the quiet encroachment of the ordinary”. He documents the everyday practices of families in Cairo as they struggle under the effects of neo-liberal restructuring, in the time of the Mubarak regime in Egypt. Unable to challenge restructuring politically, nor adjust financially to rising living costs, families undertake “individual and quiet direct action instead of collective decision making to make ends meet”. This involves non-legal urban arrangements where goods circulate in an informal way through pirate networks tapping into electricity and water services.

But the national protests in South Africa in October and November 2015 were initially by students over increases in fees, but soon grew into a protest by precarious workers against outsourcing on the campuses; this is an example of collective direct action in the age of globalisation. Whether this form of student–worker protest action can be sustained and transformed into effective organisation remains to be seen. To understand the constraints faced by labour we need to examine the problematic that globalisation presents for labour.

## Globalisation's Problematic for Labour

It is possible to identify three different paradigms on labour's response to globalisation (Bowles, 2010). The dominant paradigm within advanced industrialised countries is neo-liberalism. This paradigm is best described as one of “progressive competitiveness”. The assumption is that labour is faced by certain “adjustment costs” that can be managed by the introduction of safety nets. However, countries will only regain their comparative advantage, Bowles argues, if they re-skill their workers by embarking on longer-term training programmes.

A second paradigm emerging among development states in the Global South sees in globalisation an opportunity to enter the global market through lower labour standards. Some of their multinationals have successfully captured global markets. For them, globalisation is no longer an exclusively Western-driven phenomenon. This paradigm is described by Bowles as multi-centred development statism. Labour standards are seen as non-tariff barriers that are an obstacle to their comparative advantage of access to cheap labour.

The third paradigm, what could be called the anti-neo-liberalism approach, emerged within sections of the labour movement of the advanced industrialised world, in coalition with activists in the new social movements. It sees globalisation as a political project designed to increase the power of capital over nation states and labour. These anti-globalisation activists argue that unregulated marketisation through

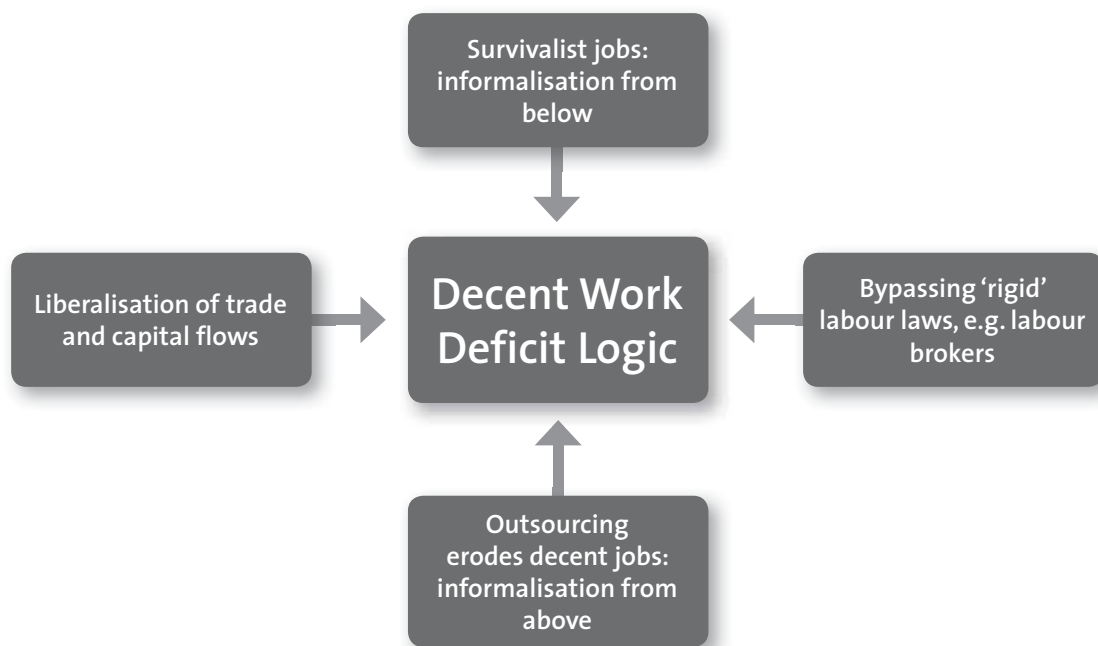


multinational companies is disrupting society, undermining the hard-won gains of labour, and creating insecurity among workers worldwide.

I want to suggest that none of the three paradigms adequately captures the response of workers in the Global South (Webster, 2015). The first paradigm assumes that the interests of labour have already been incorporated into society through a welfare state, and all that is required is a temporary adjustment to new global competition. The second paradigm seems happy for the Global South to be capital's cheap labour reserve by opposing labour standards on the basis that they are Northern forms of non-tariff protection. The third paradigm assumes that the main task facing labour is to universalise the gains made in the Global North that are being eroded under the impact of neo-liberal globalisation.

## An Emerging Southern Labour Paradigm

A new Southern labour paradigm, however, is emerging, as workers in the South engage in on-going struggles around their appalling wages, and their working and living conditions. Their responses incorporate elements of the third paradigm – the anti-neo-liberalism approach – but shaped by the specific history and context of the Global South. Workers are responding creatively, I argue, to a global logic at play through what could be called a “decent work deficit logic” (see Figure 1.1).



**Figure 1.1 Creating Precarious Work: The Decent Work Deficit Logic**

Through the process of informalisation “decent jobs” are being eroded through casualisation and outsourcing, while “survivalist” jobs are emerging from below in the informal economy. Innovative attempts are being made to reverse this decent work deficit logic, through organising informal workers in the Global South. Networks such as SIGTUR have emerged, pointing the way forward towards a new labour internationalism.

This new paradigm does not see better working conditions as an obstacle or add-on to development, but is instead attempting to integrate decent work into an alternative development path. Indeed, it has been suggested that “contemporary world-historical processes are disrupting received geographies of core

and periphery, relocating southward – and of course, eastward as well – some of the most innovative and energetic modes of producing value” (Comaroff and Comaroff, 2012: 7). The South, these authors argue, “is the frontier in the unfolding history of neoliberalism” (Comaroff and Comaroff, 2012: 38).

David Harvey (2004) has captured this phase of capital accumulation best by describing neo-liberalism as a form of “accumulation by dispossession”. This involves:

- privatisation of public assets;
- the growing centralisation and concentration of capital through mergers and acquisitions;
- free trade, where corporations take advantage of the uneven geography of capitalism to create cheap labour zones;
- the hegemony of finance capital through the dispossession of assets and the raiding of pension funds;
- privatisation of nature accelerates the commoditisation of earth, forest, water, air; and
- ceaseless work restructuring.

Harvey draws a distinction between two phases of accumulation – the primitive accumulation of pre-capitalism and that of neo-liberal dispossession. Under pre-capitalist dispossession workers were stripped of the access to the means of production, often through physical violence. Under neo-liberalism, dispossession takes place through free trade, privatisation, financialisation, destruction of nature, and precarious and insecure work. Instead of physical violence, workers experience psychological violence such as fear and anxiety, often leading to substance abuse and family violence (Lambert and Herod, 2015).

In the face of neo-liberal dispossession, new forms of resistance are emerging. The struggles of mine workers on the platinum belt of South Africa that culminated in the Marikana massacre of August 2012 is one example; the November 2012 uprising by rural workers in the farmlands of the Western Cape of South Africa is another example. In both cases, protest took place outside of traditional trade unions, and in the case of the Western Cape, farm workers gained power by blockading the highway.

## The Roots of Activism

Why do social movements emerge? What is the trigger that makes people politically active? Manuel Castells suggests that the roots of protest are emotional. They lie in a response to social injustice; the trigger is anger, the repressor is fear.

Social movements, throughout history, are the producers of new values and goals around which the institutions of society are transformed to represent these values by creating new norms to organize social life. Social movements exercise counter power by constructing themselves ... through a process of autonomous communication, free from the control of those holding institutional power... Digital social networks offer the possibility of largely unfettered deliberations and coordination of action (Castells, 2012: 10–11).

What is of particular interest is that organised labour was largely absent from these protests. As Canadian trade union veteran, Sam Gindin, writes:

The Indignados movement in Spain views trade unions as part of the problem, not part of the solution. The challenge is to create links between unions and these movements if neo-liberalism is ever to be challenged.... the left today confronts a more discomfiting question: does the rejuvenation of unions still really remain possible, or are unions now exhausted as an effective historical form through which working people organize themselves? (Gindin, 2012: 26).

Table 1.1 identifies various sources of workers' power.

**Table 1.1 Sources of workers' power: structural power and associational power**

	Structural Power	Associational Power
Traditional forms of workers' power	Marketplace bargaining power, e.g. skills  Workplace bargaining power, e.g. the ability to disrupt production through strikes (such as in Marikana in 2012)	Organisational power, e.g. the ability to form unions and influence government policy through political processes (such as competitive populism among India's informal workers)
Deepening and extending workers' power	Logistical power, e.g. the ability to disrupt traffic, occupy highways (such as the farm worker uprisings in De Doorns, South Africa, in 2012)	Societal power, e.g. forming coalitions and contesting public discourse (such as the anti-corruption campaign of municipal workers in Johannesburg)

Source: Webster (2015)

During the discussion on this table at the Futures Commission workshop in March 2015, Jane Barrett from the Congress of South African Trade Unions (COSATU) warned against the danger of suggesting that the new sources of power lie primarily on the periphery. She said that we have to combine the power of the organised industrial working class with the power of those on the periphery. For example, she pointed out that COSATU is currently fighting for a decent national minimum wage in South Africa. It could be argued that this is a poor strategy if it does not incorporate those in the informal sector. In our discussions we need to talk increasingly of solidarity along the value chain. For example, those at the bottom of the value chain, waste pickers, have little power on their own to change their conditions as collectors of cardboard, even if they demonstrate. However, if they developed solidarity with workers in the large paper processing companies such as Sappi and Mondi, and solidarity with workers internationally at the level of trade, they would have much more power. We have to look, she suggested, at ways of crossing the divide between those at the bottom of the value chain and those at the top.

Neil Coleman from COSATU pointed to the danger of making a virtue of accepting that unions remain a viable form of opposition. He also warned of the danger of romanticising the new workers. We have to look, he said, at the trajectory of social movements and their ability to make an impact on the structures of power in society. The failure to sustain these movements, such as the Arab Spring, arises from the fact that these movements are transitory. The other side of the challenge is that unions are not transforming themselves to address these new realities. We have problematic union formations, and problematic tendencies in some unions. What are capital and the state doing? What are the best forms of organisation around the world? Is it forms of spontaneous protest, or of organising the marginalised, or of transforming unions to a new type of movement? In the discussions during the first session of the workshop we compared the rise of left formations in Greece and Spain, and their theoretical roots. Have we now reached the point where we have transcended the basis of capitalism? Does the organised working class no longer act as the focal point? We need, he concluded, to think carefully on how to move forward.

## Conclusion: Lessons from the Past

The history of labour has been marked by constant predictions of the “end of labour”. This is best illustrated by this comment by one of America’s leading labour historians, Sue Dorothy Cobble:

Perhaps one of the more famous stories illustrating the labor movement’s unpredictable course is the one historians often tell of the multitude of solemn pronouncements made by august labor experts in 1932 heralding the certain death of the American labor movement. These dire predictions, of course, were issued literally on the eve of the dramatic and widespread upsurge of labor organizing that began in 1932 (Brody, 1980, cited in Cobble, 1992: 82).

The rise of Fordism in the 1930s in North America had led to a shift from craft unionism, where the power of workers lay in their skill (market-based power), to industrial unionism, where their power lay in a new political subject, the semi-skilled worker, and their new source of power at workplace level (workplace bargaining).

The task facing labour in the age of neo-liberal globalisation is to identify the new forms of organisation and sources of power that are emerging. Rob Lambert suggested at the closing session of the workshop that a new “movement of the dispossessed” needs to be created. To imagine alternatives is a part of the left project – what could be called the “necessity of utopian thinking”. Eric Olin Wright (2006) refers to this striving to build an alternative as “real utopias”. For some this sounds like an oxymoron, but Wright believes the challenge facing the left is to show that alternatives are credible and constitute real alternatives. Richard Turner, who was a left thinker and activist assassinated by the apartheid security police in January 1978, spoke of two kinds of “impossibilities”:

...the absolute impossibility, and the ‘other things-being-equal’ impossibility. It is absolutely impossible to teach a lion to be a vegetarian. ‘Other things being equal’ it is impossible for a black person to become a prime minister of South Africa (Turner, 1972: 3).

Indeed, in 1972 in apartheid South Africa, it was not only impossible, it was treasonous to think along these lines, as Turner discovered when he was banned under the Suppression of Communism Act in 1973. Of course Turner did not live to see Nelson Mandela as President of South Africa but his “utopian thinking” does underline the importance of thinking beyond what seems immediately possible.

Neo-liberalism is a set of policies, but above all it is an idea. After World War 2 there was a systematic attempt to promote the idea of the “free market” and dislodge Keynesian economics from the centre of policy making. This counter-revolution began by setting up the Mont Pelerin Society, a right-wing think tank, with leading conservative economists such as Friedrich Hayek and Milton Friedman. It was only thirty years later that these ideas became hegemonic, with Thatcher and Reagan coming to power in the United Kingdom and the United States in the 1980s. Developing an alternative is a long-term project, where you have to engage in the battle of ideas, and that means looking for spaces to engage. What is most striking is that there are very few left think tanks that are devoted to exploring alternative sources of power and identifying the social forces required to build a “movement of the dispossessed”. We hope this collection of papers from the Futures Commission workshop contributes to this goal.

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# Chapter 2

## Labour and Tax Justice

Nick Bernards, Robert O'Brien, Falin Zhang

## Introduction

Tax codes and tax policy are deliberately complicated. Power and wealth flow to those able to master and manipulate the intricate rules. This is a problem for labour unions and progressive social forces which rely on healthy state finances to fund social programmes, redistribute wealth and support economic development. The failure of wealthy corporations and individuals to pay their fair share of tax shifts the burden to less-well-off citizens or results in programmes and services being terminated or underfunded. Abuse of the tax system harms the ability of states to act in the people's interest. In these pages we will examine corporate and elite tax abuse and its implications for labour.

We begin with some preliminary definitions and suggest that using a term such as “tax abuse” helps to focus on the implications of tax manipulation, whether it is legal or illegal. Part One then looks at the general issue of corporate and individual tax abuse. Corporate activity primarily takes the form of profit shifting, where companies organise their activity to show profit in low-tax jurisdictions. Individual abuse takes the form of asset transferring, where wealth and income are transferred or hidden in low-tax areas or tax havens.<sup>3</sup> Part Two focuses upon the issue in developing countries. Drawing examples primarily from Africa, the operation of tax havens, investment routing and transfer pricing are highlighted. Reform measures enacted to deal with these problems are considered, as are the lessons from these experiments. The concluding section raises some points for general discussion.

## Definitions: Tax Abuse vs. Tax Avoidance vs. Tax Evasion

Academic articles and the media use a number of different terms to describe individual and corporate attempts to minimise or reduce the tax owed to the state: tax avoidance, effective tax planning, aggressive tax planning, tax evasion. *Tax avoidance* involves arrangements which legally minimise tax. This involves both *effective tax planning* which is consistent with the intent of the law, and *aggressive tax planning* which is judged to violate the intent of the law but which is still legal. Tax evasion involves arrangements which are clearly illegal. In practice, the line between these different tax avoidance strategies is blurry and schemes can be retroactively shifted from one category to another by national tax authority rulings. A further complication is that activity which is illegal in one state may be legal in another.

States often use the tax code to further particular policy objectives such as supporting economic development in particular fields. Thus, lowering one's tax bill through effective tax planning can be consistent with national goals. In contrast, aggressive tax planning and tax evasion are designed to avoid legitimate tax burdens and undermine the revenue-gathering powers of the state.

For labour it is best not to focus upon the issue of whether a particular scheme is legal, since even legal schemes can deprive the government of badly needed revenue. Following the advice of the Tax Justice Network ([www.taxjustice.net](http://www.taxjustice.net)), it is better to focus on the economic and political impacts of particular activities. Thus, this chapter will focus on tax abuse – the anti-social organisation of one's affairs to avoid paying a fair share of tax.

Driven by different national tax systems, corporate and individual tax abuse schemes vary. However, some common schemes are utilised worldwide and have similar international and domestic reasons. The following section introduces some common schemes used by corporations and individuals, analyses the main factors that allow or encourage these schemes, and examines international and national efforts to fight against them.

3. According to the Organisation for Economic Cooperation and Development (OECD, 1998), a tax haven usually has the following features: no or only nominal taxes, lack of effective exchange of information, lack of transparency, and no substantial activities.

## Part I

# Corporate and Individual Tax Abuse

### Corporate tax abuse: profit shifting

A common strategy used by corporations to avoid paying their fair share of tax is *profit shifting* – reducing overall tax liability by reporting profits in low-tax or no-tax foreign jurisdictions by artificially reallocating income and expenses. Leaked Luxembourg tax files<sup>4</sup> revealed that more than 350 multinationals around the world, including FedEx, Pepsi, Ikea, Skype and Disney, have used various profit-shifting strategies to dodge taxation in their home countries. Profit shifting is probably the most widely used strategy by multinationals in their efforts to reduce tax.

An example of how this works is provided by the video communications company Skype. Skype bases its European operations in Luxembourg. However, rather than have one company there, it has two – Skype Communications and Skype Technologies. Skype Communications takes payments for Skype services from the public, but officially does not own the intellectual property rights of the brand or the software for the business. It pays large licence fees to Skype Technologies. Interestingly, Skype Technologies does not own the property rights either. They are owned by Skype Limited which is based in Ireland. However, Skype Limited in Ireland is owned by Skype Technologies in Luxembourg. This allows Skype Technologies to get a favourable tax ruling from the Luxembourg government, thus avoiding 95 per cent of the tax on the licence revenue that Skype Communications originally paid Skype Technologies (both based in Luxembourg). Confused? You are supposed to be. This successful tax-avoidance scheme is designed to confuse the public and to avoid paying tax (Bowers, 2014). The bottom line is that Skype uses a number of company names to shift its profits to low-tax jurisdictions to avoid tax.

The magnitude of corporate profit shifting and resultant revenue costs are hard to calculate accurately, but estimates are shocking. For example, the largest US-based companies transferred about \$206 billion to their stockpiles of offshore profits in 2013 (Rubin, 2014). Developing countries lose around \$124 billion from offshore assets held in tax havens, which outweighs the \$103 billion in overseas aid that developing countries receive annually (Oxfam, 2009)!

What are the factors facilitating this type of corporate tax avoidance? In addition to the profit-maximising nature of corporates, there are five major factors which together provide opportunities for corporate tax avoidance through shifting profit:

1. Some domestic tax codes encourage companies to report profits overseas and leave them there. This allows many iconic US-based companies to dodge tax. For example, Caterpillar changed the address of its global parts business to Switzerland from the US and thus reduced its taxes by \$2.4 billion from 2002 to 2012 (Rubin, 2015). At the same time that it was avoiding paying its share of tax, Caterpillar was busy forcing its unionised workforce in the US to accept benefit concessions and wages freezes (Mertens, 2012).
2. Advances in communication and transportation technologies encourage multinational corporations to seek the best places worldwide to locate production, transfer profits or house property rights with the intention to lower tax. Starbucks, for example, concentrates its foreign profits in the Netherlands by housing some of its intellectual property there (Rubin, 2015).
3. International competition encourages some states to act as tax havens while others engage in a race-to-the-bottom tax-cutting policy to retain investment. Luxembourg's favourable tax rulings disclosed recently are an example.

4. Since late 2014, the International Consortium of Investigative Journalists (ICIJ), together with more than twenty other news organisations worldwide, has revealed Luxembourg's favourable tax deals with many of the world's largest corporations.

4. Large accounting firms help corporations arrange their affairs to avoid tax, taking advantage of the national tax loopholes, eased international capital flow and harmful national competition discussed above. It is alleged that all of the “big four”<sup>5</sup> accounting firms use the knowledge gained from their staff working for the UK Treasury to help clients avoid paying British taxes (Syal, Bowers and Wintour, 2013).
5. Effective international state tax cooperation is difficult. National taxation systems are, to a considerable extent, determined by national economic and political systems. Disputes about appropriate levels and subjects of taxation open the field to corporate tax arbitrage. Harmonising national taxation systems treads on national sovereignty. As a result, international cooperation can be reduced to information exchange.

### **Individual tax abuse: assets transferring**

Individual tax abuse under different national tax systems also takes various specific forms. The underlying logic is to hide personal wealth in low-tax or no-tax jurisdictions by either transferring taxable assets offshore or not reporting overseas assets in the home country. The specific ways of transferring are varied, complicated and veiled, but the destinations of these assets are relatively concentrated and evident – tax havens. The Tax Justice Network has estimated that as of 2010 at least \$21 trillion to \$32 trillion (yes, trillion!) of private financial wealth has been invested virtually tax-free through tax havens (Henry, 2012). This figure is equivalent to the size of the US and Japanese economies combined (BBC, 2012)!

The factors that provide opportunities for individual tax abuse include:

- Home countries fail to control rampant private-assets outflow for tax avoidance purposes because of loopholes in national taxation systems.
- Growing international financial globalisation and ease of making transactions on the Internet provide channels for asset transferring and thus facilitate individual tax abuse (Gravelle, 2015).
- Tax havens are ideal destinations for these assets.
- Banks and professional accounting firms provide services to help individuals circumvent complex national and international tax scrutiny.
- Weak international regulations have failed to prevent or curb individual abuse.

A distinct feature of international individual abuse is the crucial role played by banks and professional accounting companies in facilitating this activity. Most individuals do not have the skill or the time to devise complicated avoidance schemes and thus they rely on the assistance of professionals. Leaks from HSBC bank (which has over 48 million customers) disclose the activity of that particular bank in helping wealthy individual clients dodge national taxes (Leigh et al., 2015).

### **International and national responses**

The response of international institutions and national authorities is one of high rhetoric and low achievement. International institutions and governments proclaim a desire to fight tax abuse but their measures have minimal impact. The steps that have been taken focus on four areas.

1. *Closing loopholes in national tax systems.* Largely responding to the astounding figures disclosed recently on corporate and international tax avoidance, many tax authorities are more actively scrutinising their systems and closing loopholes. For example, the US tax authority plans to close a tax loophole that allows US firms to avoid paying taxes on overseas profit by imposing a one-off 14 per cent tax on US profits stashed overseas as well as a 19 per cent tax on any future profits (BBC, 2015).

5. PricewaterhouseCoopers (PwC), Deloitte, KPMG, and Ernst & Young.



2. *Addressing harmful tax competition and tax havens.* Numerous international institutions such as the Organisation for Economic Cooperation and Development<sup>6</sup> (OECD, 1998), the G20,<sup>7</sup> the US and the EU have demanded greater transparency from tax havens. Although tax havens have signed dozens of information-exchange agreements, wealth held in offshore financial centres did not decrease but instead grew by hundreds of billions dollars in 2012 (Houlder, 2013)! All that has happened is that there has been a relocation of deposits to the least-compliant havens (Johannesen and Zucman, 2014).
3. *Increased scrutiny of giant banks and professional accounting firms.* Bank secrecy in countries such as Switzerland, Luxembourg and some other tax havens has recently been eroding. However, the role of accounting firms remains under-addressed. Recently a UK parliamentary committee has highlighted PricewaterhouseCoopers's activity in promoting tax avoidance on an industrial scale (Milligan, 2015).
4. *Renewed attempts at international cooperation.* Several recent projects and reports have highlighted the need to reform international taxation rules. The OECD, mandated by the G20, launched a Base Erosion and Profit Shifting (BEPS) project to curb profit shifting. It has held numerous meetings, made recommendations and issued a regular series of reports, but its impact is unclear at the moment (OECD, 2015). In February 2015, the High Level Panel on Illicit Financial Flows from Africa (established by the African Union [AU] and the UN Economic Commission for Africa [ECA]) released its report with a series of recommendations (AU/ECA, 2015). The report stated that illicit or illegal transfers of money out of Africa was equivalent to all of the development aid flowing into the continent. They argued for incorporating reduction of illicit flows and tax evasion and the recovery of stolen assets into the Post-2015 Development Agenda.

It should be noted that international union organisations like the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee (TUAC) have raised important critiques of the OECD's BEPS guidelines. In particular, TUAC has called for greater representation of civil society and the Global South in consultations on the BEPS guidelines (Habbard, 2014). Similarly, a collection of eighty NGOs addressed two important criticisms of the BEPS process in a letter to the OECD in June 2014. The letter criticises the new rules because they "[do] not suggest any re-examination of the basic principles of the system, but are restricted to actions aimed at making the existing rules more effective".<sup>8</sup>

Despite this flurry of activity the will to prosecute tax abuse is severely lacking. The UK serves as a useful example. Of the 1 000 cases of HSBC account holders suspected of hiding money from British tax authorities, only one was prosecuted (*The Guardian*, 2015). The British tax authority, HMRC, prefers to have wealthy tax cheats confess and pay back portions of their theft than to prosecute them for illegal activity. HMRC has also refused to open a criminal investigation into HSBC's activities. The policy of ignoring financial crime or allowing offenders to buy themselves out of prosecution stands in stark contrast with the threat of jail that hangs over poor people caught abusing the social benefits or the welfare system. The degree to which tax abuse is engrained into the operating procedures of the state itself is provided by a Canadian example. A government-controlled entity, the Public Sector Pension Investment Board, has used Luxembourg shell companies to avoid German tax when purchasing real estate in Berlin (CBC, 2014). Government entities are using offshore companies to deprive other states of tax revenue!

The lack of state commitment to curbing tax abuse can be seen in the fact that very little information on these activities comes from police investigations or prosecutions. The public must rely on individuals working at financial institutions to leak confidential information in order to get a sense of the extent of the corruption in the financial system.

6. The OECD is an intergovernmental think tank primarily composed of advanced industrialised countries.

7. The G20 represents the governments of twenty major economies, including ten large developing ones.

8. The letter can be downloaded from [http://www.finnwatch.org/images/lausunto\\_BEPSstoimintasuunnitelma.pdf](http://www.finnwatch.org/images/lausunto_BEPSstoimintasuunnitelma.pdf).

## Part II

# Tax Justice: Issues and Options for Developing Countries

This section focuses on two key issues relating to tax abuse for developing countries:

1. the role of tax havens in shaping global financial flows; and
2. the role of transfer pricing.

Each problem is considered in turn. A final sub-section offers some tentative conclusions about the prospects for strategies combating tax abuse.

### Tax havens, double tax avoidance agreements and “round-tripping”

Tax havens or offshore financial centres facilitate a wide range of tax abuse. Here we will look briefly at three forms: illicit financial flows, double taxation treaties and “round-tripping”.

Illicit or illegal flows have caused great harm to some regions of the world, especially Africa (Ndikumana, 2014). So much wealth is drained from Africa that when illicit outflows are taken into account, Africa is not a debtor, but is in fact a net *creditor* to the world (Ndikumana and Boyce, 2011). Zaire (now the Democratic Republic of the Congo) is perhaps the worst example: between 1968 and 1990, Zaire lost an estimated \$12 billion in flight capital; President Mobutu Sese Seko himself amassed an estimated fortune of roughly \$4 billion, much of which wound up in Swiss bank accounts (Ndikumana and Boyce, 1998).

However, even when the activities are “legal”, tax havens can have a negative impact. A good example is something called Double Tax Avoidance Agreements (DTAAs) – bilateral treaties that establish rules for the taxation of foreign citizens and investments. Normally, the point of a DTAA is to prevent individuals or companies from being taxed twice in two different countries for the same earnings. Unfortunately, DTAAs are frequently utilised as a mechanism for tax avoidance.

Global firms and wealthy individuals use two strategies to exploit DTAAs between low-tax jurisdictions and developing countries. One is *routing investments* through low-tax jurisdictions. For instance, a British company might set up a subsidiary in Mauritius, and then use that subsidiary to make investments in Mozambique. This allows the company to reduce tax on any profits made in Mozambique. Incredibly even aid funds have been routed through Mauritius. A report from War on Want (2012: 17–18) details ways in which food aid for Africa from the UK Department for International Development (DfID) has been channelled through a public–private investment fund incorporated in Mauritius. A large portion of British aid funding is now being channelled through private actors, who are routing the money so as to avoid paying taxes either in Britain or in the African countries ultimately on the receiving end of these investments.

The other main strategy, increasingly common in bigger developing countries like China and India, is called *round-tripping*. An example would be when an Indian investor sets up a holding company in Mauritius, then uses that holding company to invest the money back into India. If most or all of the income earned falls under Mauritian jurisdiction, then under the DTAA the Indian investor can drastically reduce his or her tax bill. Wealthy individuals in India have been able to use similar arrangements to trade Indian stocks without paying capital gains taxes. Mauritius is the single largest “home” country for foreign direct investment (FDI) in India (although since 2007 Mauritius has lost some ground to Singapore) (UNCTAD, 2013: 7); indeed, at one point most “Mauritian” FDI into India “originated” from a single building in Port Louis (Sasi, 2012). Hong Kong plays the same role for investments in China.

Some efforts are underway to revise existing taxation treaties. Indonesia simply cancelled a DTAA with Mauritius over concerns about round-tripping, while China has demanded renegotiation. India, meanwhile, has sought to renegotiate its agreement with Mauritius, as well as passing a new set of Generalized Anti-Avoidance Regulations (GAAR). While GAAR is a positive step, it has been watered

down in the process of implementation, and in response to opposition from business constituencies in Mauritius, India and the Big Four.<sup>9</sup> Investors have expressed fears about the possibility of “heavy-handed” application of GAAR as a means of slowing or mitigating the reforms (Anand, 2014).

An important point to underline is that most tax havens or offshore financial centres (OFCs) are developing countries themselves. Hampden and Christensen (2002) note that a considerable number of small island economies around the European periphery, in the Caribbean and the Indian Ocean, are highly dependent on offshore finance. Mauritian tax laws and its aggressive pursuit of DTAA's over the last thirty years have been part of a coherent development strategy. Mauritius aims to position itself as a hub for investments into Africa and India. This sort of strategy is appealing to some developing countries – Ghana, for instance, introduced legislation intended to establish Accra as an offshore hub in West Africa (Amediku, 2006; Vitek, 2011). The point is that it might well be a reasonable response for states, faced with capital flight to tax havens, to try to capture some of those flows themselves. One important step to reducing the role of tax havens and OFCs, then, might well be efforts to shift the development strategies pursued in those countries operating offshore financial centres. For trade unions in particular this means a commitment to solidarity with workers' organisations and other civil society organisations pushing for alternative development strategies in offshore financial jurisdictions.

### Transfer pricing

*Transfer pricing* involves making payments for the transfer of goods or services between affiliates of the same corporation in different countries. It is largely concerned with the price assigned to purchases of goods and services by a subsidiary of a multinational corporation from headquarters or from another subsidiary. Deliberate misinvoicing of imports and exports can be a means of illegal tax evasion.

*Misinvoicing* refers to fraudulent reporting of the value of traded goods – say, for instance, reporting a shipment of ten tonnes of ore as five tonnes and pricing it accordingly. The scale of illegal misinvoicing is quite large. A report from Global Financial Integrity estimates the annual revenue loss to developing country governments as a result of misinvoicing at between \$98 billion and \$106 billion between 2002 and 2006 – or more than 4 per cent of total tax revenue in the developing world (Hollingshead, 2010)!

Transfer pricing policies offer considerable scope for (legal) profit shifting. The OECD gives some guidance on transfer pricing. The key concept is called the *arm's length principle*, which means that imports and exports between related companies should be priced as if they were taking place on the open market. The arm's length principle, however, leaves a lot of room for legal transfer pricing strategies that still allow corporations to transfer profits to low-tax jurisdictions. For many goods and services, it is not clear what exactly an “arm's length” price actually is.

This is especially problematic with “*intangible*” services – services that do not need to be carried out on site: marketing, legal services, and so on. One important tax-avoidance strategy is to centralise intangible functions in a subsidiary in a low-tax jurisdiction. This means that marketing or research and development (R&D) for the whole corporate group can be carried out from one national subsidiary. Increasingly, this does not necessarily mean the corporation's home country, but rather where it is most advantageous for tax purposes. Other affiliates will pay fees to a related company in a low-tax jurisdiction for such services. Here again, the big four accounting firms play a major role in promoting these kinds of structures, and offer consulting services to help companies put them into practice. PwC (2013b), for instance, publishes regularly updated reference guides on transfer pricing strategies, which advocate locating as many intangible service functions as possible in low-tax jurisdictions.

The consequences for developing countries of transfer pricing for intangible services can be highly significant, and indeed they stretch beyond tax justice. Dick Forslund (2014), of the Alternative Information and Development Centre in South Africa, reveals that the mining company Lonmin plc's South African

9. PwC (2013a) gives a summary of the revisions to GAAR as compared to the original legislation.

subsidiary was “losing money” and “unable” to afford increases in wages primarily because the company was making large annual payments for “marketing services” to a related company in Bermuda. Forslund shows very clearly that Lonmin’s “losses”, and consequently the company’s unwillingness to entertain the prospect of wage increases in the platinum sector, were in effect the result of a deliberate tax avoidance strategy on the part of the corporation. Lonmin mines are now infamous as the site of the Marikana massacre where South African police killed thirty-four striking miners in August 2012 (Chinguno, 2013).

Goods that are openly traded on exchanges (including most commodities) are also subject to having their prices manipulated in a variety of ways. This is a particularly significant problem in the extractive sector through the use of *long-term contracts*: a subsidiary mine will sign a contract with the parent company to sell its products at a particular (low) price for an extended period of time. A leaked audit of Swiss-based mining conglomerate Glencore’s operations at Mopani Mine in Zambia in 2010 found that between 2003 and 2008 Mopani’s revenues were deflated by a cumulative total of more than \$700 million through the use of long-term contracts signed at a low ebb in the price cycle (Grant Thornton, 2010: 14–15). The \$700 million figure reflects the difference between the price Glencore paid to the Mopani Mine and the actual price of copper on the London Metal Exchange (LME).

The Swiss commodities trade is illustrative of widespread tax abuse. Switzerland, despite producing very few commodities, has miraculously become one of the largest commodity exporters in the world through the so-called *transit trade*. This refers to commodity trades between an exporting country and an end country that are routed (on paper) through a third country. For instance, the title to a shipment of copper from Zambia might be sold to a Swiss affiliate firm, and then sold on to another subsidiary in the Netherlands for final sale. Often the physical commodity itself will never even reach Switzerland, but the profits are concentrated in the lightly taxed Swiss headquarters (Cobham, 2014).

It is important to note that there seems to be some movement at the moment to restrict these practices. Reforms are uneven, and they are often balanced against the concerns of countries to attract investors. For example, in Zambia an attempt was made to increase tax revenue by assessing royalties not on declared company revenues, but based on the benchmark price per volume as determined on the LME (Fraser and Lungu, 2007; Lungu, 2008a). A well-coordinated campaign from civil society and international links, in which the Mineworkers Union of Zambia actively participated, helped to create pressure for reform (Lungu, 2008b). Similar civil society campaigns are underway in Tanzania (albeit led mainly by religious groups) (Curtis and Lissu, 2008) and Sierra Leone (where unions have been very active) (NACE, 2009, 2010). The Tanzania Minerals Audit Agency (TMAA) published a report in 2009 calling for reforms in royalty assessments in line with the new model in Zambia (TMAA, 2009). However, corporations continue to fight such initiatives.

### **Reform strategies: lessons learned**

One important lesson from the cases discussed above is the importance of building coalitions between unions and other actors in civil society. Civil society pressure played a key role in the reforms mentioned in the previous section. Additionally, reform efforts in the absence of organised civil society pressure are more vulnerable to being watered down, as was the case with GAAR in India. Trade unions seeking tax justice need to make decisions about how to relate to the considerable number of civil society organisations in the field. In Zambia and elsewhere in Africa, unions have participated in transnational, North–South coalitions in favour of tax reform in the extractive sector. In Sierra Leone, unions have similarly participated in multi-actor civil society commissions concerned with public revenues from mineral industries. These strategies can leverage worker pressure on fiscal issues in particular industries quite effectively. However, it should be noted that some civil society groups can be quite conservative. An example is Global Financial Integrity (GFI) which focuses on illegal tax evasion and suggests that confronting tax evasion requires “fiscal responsibility, closing budget deficits, and keeping inflation low”, and “governance reform – through the development of institutions, strengthening the rule of law and confronting corruption” (Hollingshead, 2010: 19).

A related lesson is that tax reforms are often constrained or enabled by broader development strategies. This is true in at least two ways. First, setting up an offshore financial centre is a deliberate strategy pursued by some developing countries. Second, a development strategy based on foreign investors operating in enclaves (such as mining for export) increases the vulnerability of developing countries to tax avoidance. The kinds of profit shifting made possible in these cases not only deprive developing country governments of tax revenues, but also enable the extraction of capital that might otherwise contribute to higher wages, better working conditions or local development. Similarly, certain tax avoidance strategies – such as the use of long-term contracts to keep internal prices of minerals down – are facilitated by volatility in commodity markets. In short, the absence of stronger international management of commodity prices facilitates the use of long-term contracts as a tax avoidance strategy.

Reform strategies have thus far failed to adequately address the contradictory role of the big four accounting firms in facilitating tax avoidance. Even the biggest multinationals generally rely on these firms to design their transfer pricing and investment routing strategies. Ironically, though, private accounting firms, including the big four, are also often contracted to conduct audits of tax compliance on behalf of developing country governments, as in the Grant Thornton audit of Mopani. They have also played a more explicitly political role in some cases, as in the campaign to water down India's GAAR reforms. Accountants are currently largely self-regulated. There are international accounting standards in place, but these are privately drafted and administered, and are normally restricted to "technical" issues. Strategies to regulate the role of accountants are sorely needed.

## Points for Discussion

This chapter has argued that tax abuse by corporations and wealthy individuals is a serious problem that poses a challenge for labour and progressive social groups seeking to use the state to address economic issues. Tax issues concern basic fairness, and the abuse of tax codes is a mechanism for amassing and concentrating wealth. This section raises some issues to be considered and discussed further.

### Education

Tax matters are notoriously complex. To what degree are trade unions aware of tax abuse issues? Would an education campaign be useful? Are there models for such a thing in the tax field? ITUC and TUAC have held some expert meetings on tax abuse, but how widely is this information known (TUAC, 2013)?

### Significance

How great a priority is tax justice for trade unions? How great a priority should it be? Is it worth investing resources in this field?

### What type of things should trade unions advocate?

Here are some things that could be considered:

- Given the abuse that comes with complicated tax codes, is there a case to be made for simplification of all national tax codes?
- The distinction often made between legal tax avoidance and illegal tax evasion seems to imply that tax avoidance is acceptable. Is it in labour's interest to stress other terms such as tax abuse or tax dodging?
- Is it possible to forge alliances with tax justice NGOs, and for what purpose?



- The OECD seems to deal with tax havens as a question of transparency, but perhaps it is tax havens themselves that need to be curtailed.
- Discussions continue at the OECD on curbing profit shifting. What is labour's stake in this? Can a simple, effective solution to profit shifting be developed? Some have argued that transnational corporations (TNCs) should be treated as unitary actors for taxation purposes rather than as a series of subsidiaries.
- Is there some way that corporate activity could be deglobalised so that subsidiaries have to provide their own "intangible" services (marketing, legal, etc.), thus reducing the possibility of profit shifting?
- Can some of the lessons from the extractive sector be expanded and generalised?
- Do trade unions agree with the Tax Justice Network's suggested initial five steps: a) force TNCs to report activity country by country; b) impose a unitary tax; c) mandate automatic information exchange between financial institutions and tax authorities on wealthy individuals; d) clarify ownership of all companies; e) make tax evasion a money-laundering offence similar to how drug money is handled.

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# Chapter 3

From “Free Trade” to “Fair Trade”:  
Proposals for Joint Labour  
Demands towards an  
Alternative Trade Regime

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## Introduction<sup>10</sup>

Free Trade Agreements (FTAs) are currently the main dynamic underlying capitalist restructuring in the wake of the global economic crisis of 2007–2008. Considering the way global commodity chains are increasingly organised across borders, with pre-fabricated parts being assembled in third countries and then again exported to markets elsewhere, it is no surprise that FTAs have become ever more important for transnational capital (Hart-Landsberg, 2013: 91-2). There have been divisions within the global labour movement over FTAs. European, export-oriented trade unions have tended to support new FTAs, as they perceive them to be beneficial for “their” companies, thereby securing their members’ jobs. Labour movements in the Global South, however, have objected. For them, free trade has often signified deindustrialisation and loss of jobs, as Southern companies could not compete with the higher productivity rates in the North. And yet, it would be wrong to be surprised about these divisions. The expansion of capitalism along uneven and combined lines has inevitably put national labour movements in rather different positions within the global economy (Bieler et al., 2015). If a common position is to be obtained, then this can only be the result of struggles, in which the more long-term common interests of labour in the North and South are asserted.

The purpose of this chapter is to assist this process through the development of some demands vis-à-vis trade policy, which can be supported by labour movements from all over the world, regardless of their particular position within the global economy. What could or even should be the key principles of a fair trade system? Fair trade here does not refer to the practice of ensuring the payment of sustainable prices for a range of products, guaranteeing decent working conditions and local sustainability for farmers and workers in developing countries, as important as these initiatives undoubtedly are. Rather fair trade refers to a more comprehensive, alternative trade regime governing the exchange of goods at the global level in a way that allows countries to emphasise national development based on social justice while at the same time prioritising the rights of citizens to water, food, housing and so on. Importantly, the intention is not to draw up the blueprint of an alternative trade regime. Alternatives to the current “free trade” policies can only emerge out of concrete struggles; they cannot be drawn up by purely abstract reasoning. Nonetheless, the hope is that these suggested demands provide the starting point for concrete discussions by actors involved in struggles for an alternative trade regime, being then able to map out alternatives in more detail.

In the next section, changes in the international trade regime since the end of World War 2 are discussed, before the subsequent section focuses on proposals for potential joint demands towards an alternative trade regime. Key emphasis will be placed on preserving national sovereignty and national policy space as the basic terrain of democratically accountable development policy. Moreover, it will be argued that the increasing power of transnational corporations (TNCs) needs to be kept in check, and proposals are put forward as to how this could be done. In order to change the trade system, social class forces are required to push through demands. The Conclusion will assess the current possibilities of forming such an alliance of forces.

10. I am grateful to Ingemar Lindberg for the fruitful discussions we have had on alternatives to free trade, and to Rob Lambert for his comments on an earlier draft of this paper. Feedback received at the second meeting of the SIGTUR Futures Commission – “Challenging Corporate Capital: Creating an Alternative to Neo-Liberalism”, Cape Town, South Africa, 25–27 March 2015 – is also thankfully acknowledged.

## From Bretton Woods to an Expanded Free Trade Regime

After World War 2, “free trade” was mainly pursued within the framework of the General Agreement on Tariffs and Trade (GATT), with a focus on lowering tariff barriers in order to stimulate the trading of goods across borders. Importantly, GATT was part of the post-war Bretton Woods regime of embedded liberalism (Ruggie, 1982), which combined the goal of international free trade with the right of governments to intervene in their own economies when domestic stability and welfare were at stake. It was based on a Keynesian understanding that demand management through state intervention was crucial for economic growth and high employment levels. In general terms, “the period 1947–73 was one of unprecedented expansion for the world economy, with output and trade growing faster than in any previously recorded period. Global output expanded at an annual average of 5 per cent, while exports grew at 7 per cent per annum” (O’Brien and Williams, 2013: 117). Unsurprisingly, this period until the early 1970s and the onset of a global economic crisis is evaluated in highly positive terms in the Global North (Rodrik, 2011: XVII). On the basis of growing wealth levels facilitated by free trade and strong labour movements, full employment levels were reached and expansive welfare states established. And yet, the experience of developing countries during the first three post-war decades has been rather different. They had been excluded from the benefits of embedded liberalism.

In the colonial period, countries in the Global South had been forcefully integrated into the international division of labour, concentrating on the export of raw materials to be further processed in the factories of the North. As Anwar Shaikh (2007: 60–61) makes clear, when industrialised countries developed, “the policies of the rich countries included not only protectionism and state intervention but also colonization, pillage, slavery, and the deliberate deindustrialization of the Third World”. Bretton Woods and the compromise of embedded liberalism continued these policies for the Global South. According to McMichael (2012: 55), while industrial countries did benefit from the flexibility offered by Bretton Woods, “the colonial division of labor’s legacy of ‘resource bondage’ was embedded in Third World social structures, where trading classes of landowners and merchants, enriched by the exports of primary goods, would favour this relationship. And, of course, the First World still desired raw materials and agricultural imports and markets for its industrial products”. In other words, Bretton Woods installed a Western-style development project for the newly independent countries, which in many respects continued economic colonial policies within a new institutional setting.

Overall, free trade during the Bretton Woods system of embedded liberalism tied the newly independent, developing countries into relationships of unequal exchange with industrialised countries, in which the latter reaped super-profits at the expense of the former. First, unequal exchange resulted from productivity differentials between industrialised and developing countries. As Ernest Mandel (1975: 71–2) pointed out, “on the world market, the labour of a country with a higher productivity of labour is valued as more intensive, so that the product of one day’s work in such a nation is exchanged for the product of more than a day’s work in an underdeveloped country”. Second, the dominance of industrialised countries has been ensured through the control of technological invention, access to resources, the globalised financial system, communications and information technology – as well as, in the last instance, weapons of mass destruction (Amin, 2003: 61–5). Importantly, these additional means allow capital to extract super-profits from labour in developing countries, which goes beyond the subsistence level of workers. Thus, wages are depressed below the value of labour power (Higginbottom, 2014: 30–2).

Since the completion of the GATT Uruguay Round in 1994, the “free trade” agenda has been expanded into areas of trade in services, public procurement, trade-related investment measures, intellectual property rights and agriculture. And while the World Trade Organisation’s (WTO) Doha negotiations round, intended to complete unfinished business, has stalled, this expanded “free trade” agenda is now aggressively promoted in bilateral FTAs by the EU and the US with developed, developing and emerging economies alike (Choudry, 2014). The most recent trade agreement negotiations – including among others the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, the Transpacific Partnership Agreement (TPPA) and the Transatlantic Trade and Investment Partnership (TTIP) – not only

incorporate ever larger territories, but also extend this expanded trade regime further. As John Hilary's (2014: 6) detailed analysis of TTIP makes clear, the main goal is "to remove regulatory 'barriers' which restrict the potential profits to be made by transnational corporations on both sides of the Atlantic". These so-called barriers include social and environmental standards, food safety standards, regulations on the use of toxic chemicals, digital privacy laws and new banking safeguards. "Perhaps the greatest threat posed by TTIP is that it seeks to grant transnational corporations the power to sue individual countries directly for losses suffered in their jurisdictions as a result of public policy decisions" (Hilary, 2014: 30). These investor–state dispute settlement (ISDS) mechanisms have already been part of many bilateral investment agreements (Hilary, 2013: 43–57). TTIP and other recent negotiations have the purpose of making them almost universal.

The rationale provided for this expanded free trade regime is the neo-liberal belief in the benefits of free trade: as long as every country concentrates on producing what it is best at, general development will result. Empirical reality, however, has unmasked the false promises of liberal economic thinking. In a study by the NGO War on Want, it is illustrated that global economic growth in the 1980s and 1990s, the time of neo-liberal globalisation, was slower than in the 1960s and 1970s (War on Want, 2009: 4). A recent report by the International Labour Organisation (ILO) has noted a global shift towards more insecure jobs since the onset of the financial crisis in 2007–2008. Three-quarters of the world's workers are employed on temporary or short-term contracts, they work informally without any contract, or they are self-employed or in unpaid family jobs (ILO, 2015: 13). Developing countries have yet again been the main losers of this period. An analysis of the consequences of trade liberalisation in Africa and Latin America during the 1980s and 1990s reveals widespread job losses, increasing unemployment and declining wages in both continents (War on Want, 2009: 5–13). In many respects, the expanded free trade regime continues the dynamic of extra surplus value and super-exploitation. "Today, free-trade agreements and bilateral investment treaties play a role analogous to the structural adjustment programs of the 1980s" (Higginbottom, 2013: 188).

What could demands look like for an alternative trade regime which overcomes these conditions of exploitation? The next two sections will develop two sets of demands, one around state sovereignty, the other around the control of TNCs. When developing proposals for demands about an alternative trade regime, it is important to phrase these demands in broad, general terms. Otherwise, there is the danger that they are rejected straight away by potential allies. General demands can provide the basis for initial agreements, which are then developed further by potential allies in their discussions.

## Proposals for Joint Labour Demands: The Centrality of State Sovereignty

Historically, no country developed exclusively through free trade:

During their own process of development the rich countries relied heavily on trade protection and subsidies, ... they did not generally abide by patent laws or so-called intellectual property rights, and ... they generally championed 'free trade' only when it was to their economic advantage (Shaikh, 2007: 60).

State sovereignty is clearly a crucial component of development. It is on this basis that I would put forward the **first potential joint demand** by Northern and Southern labour movements alike vis-à-vis free trade:

### Potential Joint South–North Demand 1:

**Any trade agreement needs to protect the national policy space of the participating countries, allowing them to pursue independently additional objectives to trade and liberalisation.**



In itself, however, state sovereignty does not guarantee that trade policy is organised in a way that leads to national development along lines of social justice. Trade policy is generally made by high-level officials behind closed doors, often assisted by representatives of (transnational) capital. Unsurprisingly, trade policy is made in the interest of capital (Seattle to Brussels, 2005: 16). Hence, in order to ensure that society's wider interests are taken into account, the very process of formulating trade policy making needs to be democratised. And this not in the sense of liberal representative democracies with parliaments being given a greater say, but through an emphasis on participatory democracy, bringing people's interests directly to the decision-making process. In short, a further potential collective demand of progressive forces around the world could be:

**Potential Joint South–North Demand 2:**

**The way trade policy making is carried out needs to be democratised so that the interests of all sectors of society are being represented in the decisions on which areas should be opened for trade and which should be protected.**

The importance of democratic decision making on free trade has been recognised by the Alternative Trade Mandate Alliance. It placed the underlying principle of democratic control over trade and investment policy making, including an end to corporate secrecy and privileged access by industry lobby groups as well as new ways of involvement by civil society and parliaments in trade policy making, at the heart of its alternative proposals for a European trade policy (Alternative Trade Mandate Alliance, 2013: 6-7). The demands for state sovereignty and democratisation of trade policy are closely related. State sovereignty should not be understood in a nationalist, inward-looking sense, but as the space to ensure popular participation in decision making. Hence, the quest for state sovereignty is the struggle for democratisation and, thus, part of a progressive internationalist strategy, rather than a regressive nationalism. The quest for state sovereignty, in other words, is not against globalisation, but part of a strategy towards another globalisation.

A return to Bretton Woods and the compromise of “embedded liberalism” is neither feasible nor desirable, considering the exploitative way developing countries were integrated into the global political economy. Hence, the importance put by Samir Amin, for example, on support of subsistence farming in the search for alternative development models (Amin, 2014: 16–17). The concept of food sovereignty is crucial in this respect. It links food security to the right of people to produce their own food, to control the productive resources and means of production, and to participate in an open and transparent democratic system of decision making in the area of agricultural and food policies. In sum, “food sovereignty is a common struggle against corporate, industrialised food systems and a common determination to achieve socially, ecologically and economically benign models of production, processing and distribution in all societies” (Mulvany, 2007: 19). This does not imply that there should be no trade in agricultural products, but it does signify that it is up to individual people and countries to decide in which areas to trade, and in which to protect the national and local economy. Hence, in relation to agriculture, the following demand can be put forward:

**Potential Joint South–North Demand 3:**

**All countries should have the right to food sovereignty – that is, to determine themselves what to grow in which way, and which crops to trade and which to protect against foreign competition.**

The extraction of raw materials by developed countries from developing countries is further intensified during the current epoch of neo-liberal globalisation. While the extraction in the periphery itself is based on labour-intensive processes, the raw materials are then used in high-value-added production processes in the core. As a result, developing countries are often prevented from using these raw materials for their own development. The European Union (EU), for example, heavily pushes against export taxes or the requirement of processing minerals first, before exporting them. “In 2010, for example, the European

Commission (EC) said that it would withhold trade benefits from developing countries that restrict raw material export” (Kabemba, 2012: 8). In order to address this problem, the following demand towards an alternative trade regime can be formulated:

**Potential Joint South–North Demand 4:**

**Countries should have the right to decide independently on the use of their raw materials. They may want to trade with some, but use others for their own industrial development.**

## **Changing the Balance of Class Power: Proposals for Joint Labour Demands to Restrain Transnational Capital**

One of the lessons to be learned from the Northern labour movements is that the balance of class power in society was decisive in the establishment of the welfare state in the period following World War 2 (Wahl, 2011: 35). When discussing potential alternative ways of how to organise “free trade”, the implications of these alternatives for the balance of class power need to be kept in mind.

The transnationalisation of production has fundamentally changed the power balance between capital and labour at the global level in favour of the former. Starting in the 1970s with the shift of labour-intensive production to countries in the Global South as discussed above, globalisation has led to an increasing transnationalisation of production, with the production of many goods being organised across borders (Bieler, 2006: 50). The ISDS mechanisms, mentioned above, are the latest step in the increasing power of transnational capital. Demands towards restraining transnational capital’s power are, therefore, essential in the struggle towards an alternative trade regime.

In order to avoid a scenario in which various national labour movements are played off against each other by TNCs in their decisions on where to invest, the implementation of global labour standards could be a crucial way forward. Global labour standards here do not refer to minimum conditions such as length of the working day or minimum pay, but fundamental rights of workers to organise themselves collectively in defence of their own rights. Hence, an initial joint demand could be:

**Potential Joint South–North Demand 5:**

**All FTAs must include a social clause, which commits capital to respect the seven crucial ILO conventions (29, 87, 98, 100, 105, 111, 138) which provide for the freedom of association, the right to collective bargaining, abolition of forced labour, prevention of discrimination in employment and a minimum age for employment.**

The International Confederation of Free Trade Unions (ICFTU), the predecessor organisation of the International Trade Union Confederation (ITUC), attempted precisely this in the 1990s, but in the form of a WTO clause. At the time, the proposals did not only fail because of resistance by transnational capital, but also due to disagreements within the labour movement. Some labour movements in the Global South were concerned about the link between these demands and the WTO, giving the latter even more power, and were worried that Northern states would use these clauses to attack developing countries. Moreover, there was a concern in the Global South that Northern labour movements would ensure a social clause, but make compromises over, or neglect, other issues such as debt relief (O’Brien, 2002). Perhaps this is the right moment to return to global labour standards and to explore whether pursuing them collectively could be an acceptable way forward towards constraining the power of transnational capital. The Chinese economy has become increasingly important for the global economy, and the super-exploitation of Chinese workers not only puts pressure on the Chinese labour movement but also on workers elsewhere, where companies compete with these low labour costs. Discussions with informal labour NGOs have indicated that the current strike wave in China is often driven by demands for the right to free association and collective bargaining (Bieler, 2014). If Chinese workers can organise themselves collectively, this will

ease pressure on workers elsewhere. In practice, European trade unions have used social clauses almost as a fig leaf for their support of “free trade” and the related negative consequences for workers in partner countries. As long as FTAs with developing countries included a social clause, they have tended to support them, not fully realising that the way these social clauses were applied could only affect the rather small formal, but not the larger informal sector of the economy in these countries. Any future social clauses must be formulated in such a way that they encompass the whole economy in all partner countries and are also enforceable. Otherwise, labour movements in the Global South will perceive them as simply enshrining the advantages of Northern countries in the global economy.

Few other areas indicate the power of transnational capital as much as the issue of tax avoidance and tax havens. Tax avoidance refers to practices which use the official tax regime to reduce the amount of payable tax through legal means. Tax havens facilitate these practices of tax reduction. The British bank Barclays, for example, “has come under fire for promoting the use of offshore tax havens as a route for companies investing in Africa” (Provost, 2013), and this against the background of estimates that African countries lose billions of dollars in unpaid taxes each year. This is not only a problem of developing countries. Another example is the bank HSBC, the Swiss subsidiary of which actively approached potential clients with a scheme which would allow them to avoid a new tax resulting from a treaty between Switzerland and the EU (Leigh et al., 2015). In a research report for the Public and Commercial Services Union (PCS) in 2014, Richard Murphy (2014: 2) concludes that “the UK’s tax gap may now be £122 billion a year” – “tax gap” referring here to the sum of tax that could be collected, but is not. In short, tax avoidance and tax havens are a problem for countries in the Global South and North alike. This could result in the following second collective demand vis-à-vis TNC power:

**Potential Joint South–North Demand 6:**

**All tax havens must be closed and tax avoidance schemes be abolished through the introduction of new regulations to control transnational finance.**

Some economic areas are closely related to fundamental human rights. As the Alternative Trade Mandate Alliance (2013: 15) has put it, “essential services such as energy and water distribution, education, health and social services have to be safeguarded against offensive commercial interests, and tightened market rules”. The fight for water as a human right and against privatisation is also one of the most successful one around the world with an increasing number of examples of re-municipalisations in every part of the globe (see <http://www.remunicipalisation.org/>). Hence, a further collective demand vis-à-vis TNCs could be:

**Potential Joint South–North Demand 7:**

**Resources and products vital to human life such as water, medicines and education are to be excluded from any trade agreements.**

Finally, ISDS mechanisms have already been part of many bilateral investment agreements, with dramatic consequences for national policy sovereignty and state budgets. For example, “Argentina has faced compensation claims for over US\$ 20 billion, following the impact of its economic crisis in 2001 on the viability of numerous water and electricity privatisations” (Hall, 2006: 184). Another example is the case of the Swedish company Vattenfall, which has sued the German government for profit losses as a result of the latter’s decision to get out of nuclear energy by 2022. “Vattenfall claims over €3,7 billion in compensation in response to the closure of the nuclear power plants Krümmel and Brunsbüttel” (Bernasconi–Osterwalder and Hoffmann, 2013: 1). Policy makers have to think carefully, whether they can “financially afford” specific policy decisions, if “fines” of this magnitude are potentially the result. In overall terms, as John Hilary (2014: 32) observes, “the use of ISDS by transnational corporations is now reaching epidemic proportions. Over 500 known cases have now been filed against at least 95 countries, of which

over 400 have come in the last 10 years alone". The following demand underpinning an alternative trade regime can be formulated as a result:

**Potential Joint South–North Demand 8:**

**Investor–state dispute settlement mechanisms must not be part of any trade agreement.**

## **Conclusion: From Joint Demands to Common Action?**

In short, despite the different positions of various national labour movements in the global political economy, a range of joint demands may be feasible around the re-assertion of national sovereignty and against the increasing structural power of transnational capital. Nevertheless, it is one thing to agree on joint demands, and another to devise a common strategy in order to push for the implementation of these demands.

This could be an opportune moment for transnational solidarity against free trade agreements. While there have been tensions over free trade within the global labour movement until fairly recently, in view of the damaging impact of, and secrecy surrounding, TTIP negotiations, more and more Northern and especially European trade unions have come out against free trade. Detlef Wetzel (2014), the current General Secretary of IG Metall, the powerful German metalworkers' union organising workers in export sectors, recently criticised TTIP negotiations. While the potential benefits are either unclear or small at best, the planned investor–state dispute settlement mechanism would undermine national sovereignty and potentially also include downward pressure on working conditions and workers' rights. Hence, Wetzel argues, TTIP negotiations should be stopped. The British Trades Union Congress (TUC), in turn, adopted a motion at its Congress in September 2014, in which it resolved "that the trade union movement should now call for the TTIP negotiations to be halted and adopt a clear position of outright opposition to TTIP" (TUC, 2014). The German Deutscher Gewerkschaftsbund (DGB), too, is vehemently opposed to ISDS provisions; it demands that the Comprehensive Economic and Trade Agreement is re-negotiated and argues that, instead of deregulation as envisaged by TTIP, we need more regulation of globalisation to ensure that social dumping is avoided and globalisation becomes more just (DGB, 2015). Even more encouraging is the campaign "Stop TTIP", which is based on a broad alliance of social movements, trade unions and NGOs across the EU. It has collected more than three million signatures in its independent European Citizens' Initiative (see <https://stopttip.org>). Considering this widespread mobilisation against further free trade agreements in the Global North, this could be the moment to mobilise at the global level against the expanded free trade regime. Such broad alliances may have the potential to address the imbalance of power between capital and labour, and potentially turn the tide against neo-liberal restructuring.

As Ingemar Lindberg (2014) outlines, workers solidarity is based on mutual self-interest as well as common identity resulting from a shared position in the production process. Equally important, however, solidarity is developed in moments of joint struggle. "It is expressed in a willingness to stand up for each other and fight together" (Lindberg, 2014: 136). Trade unions, as a result of their unique position within the social relations of production, representing workers at the very point of exploitation, have the potential to directly threaten capitalist accumulation of surplus value by withdrawing their labour. The concrete question then is whether labour movements are able to engage in these collective struggles across borders. The Southern Initiative on Globalisation and Trade Union Rights (SIGTUR) as a trade union network coordinates a large number of unions from the Global South. Can SIGTUR develop into the kind of agent that can facilitate trans-border solidarity actions? At its Congress in Perth in December 2013, the increasing power of TNCs and the threat of new free trade agreements such as the TPPA were identified as common threats by SIGTUR affiliates. Will the network be able to mobilise against expanded free trade and for an alternative trade regime? What could concrete joint actions look like?

Samir Amin has always been sceptical about the possibility of transforming global capitalism from

within the system. Instead, he has advocated strategies of delinking from the global political economy, which would allow more independent development. “Delinking promotes the reconstruction of a globalization based on negotiation, rather than submission to the exclusive interests of the imperialist monopolies. It also makes possible the reduction of international inequalities” (Amin, 2014: 21). It may be impossible for an individual country to delink on its own, but perhaps a group of countries may be successful in moving towards an alternative outside global capitalism. The Bolivarian Alliance for the Americas (ALBA) is one practical example of an alternative trade regime. At its beginning in 2004, this was a treaty between Venezuela and Cuba, with the former providing petroleum to the latter at very favourable prices in exchange for doctors and teachers from Cuba, working in some of Venezuela’s poorest states. Importantly, direct negotiations between the two countries had replaced a reliance on prices set by the market and, therefore, directly challenged capitalist dynamics. A focus on social welfare replaced the focus on profits that characterises neo-liberal economics. Since then, ALBA has expanded, and now includes countries such as Bolivia, Ecuador and Nicaragua. “Among its most resounding successes is the literacy campaign, the noticeable improvement of health standards and the progressive development of its own system of payment, the SUCRE currency, and the creation of the ALBA Bank” (Daza, 2012: 9). Combining the development of, and pushing for, joint demands based on broad alliances of social class forces, with the deepening of alternative trade regime experiences, could become a powerful dynamic towards more fundamental change. SIGTUR may be able to play a significant role in these struggles.

## Points for Discussion

This chapter has argued that the expanded free trade regime has undermined the conditions for development along lines of social and global justice. It has introduced one set of potential demands around the re-assertion of national sovereignty and another set of potential demands against the increasing structural power of transnational capital.

### Education

For many years, free trade was not part of trade unions’ concerns, often focused on collective bargaining around their members’ wages and working conditions. Could this be the moment to start a broader education campaign of trade unionists around the implications of free trade for development as well as social and global justice?

### Significance

How great a priority is a fair trade regime for trade unions? How great a priority should it be? Is it worth investing resources in this field?

### Starting point

Which of the joint demands introduced in this chapter could be a useful starting point for joint actions towards an alternative trade regime? Are there others?

### Additional questions that could be considered

- How is trade policy made in your country? How could the process be opened up to popular participation?
- What are the implications of free trade policies on the daily lives of you and your family?
- Are there currently free trade agreement negotiations in which your country is involved?
- Are there alternatives to free trade, which can be constructed from the bottom up?



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# Chapter 4

## Democracy-driven, Public Sector Transformation

Hilary Wainwright

## Introduction

Privatisation threatens to destroy both public well-being and the democratic means of achieving that well-being in the future. Therefore, we urgently need to halt the relentless bulldozer of corporate-driven privatisation. Moreover, we need to resist with the weapons of an alternative kind of public provision, not with the blunt armoury of defending the public sector as it is. Already many alliances of public sector workers and citizen movements have demonstrated the success of this transformative approach and the multiplicity of sources of power that can be mobilised behind it.

This chapter will start by describing the consequences of privatisation. Here, I have the dubious advantage of coming from Thatcher's United Kingdom (UK), the laboratory of privatisation. I have seen the privatised future, and my first section will show you that it does not work.

I will then ask the obvious question: how do the bulldozers continue in spite of these failings, as if privatisation was some kind of solution to a country's economic and political problems? (The imposition of privatisation on Greece is the most shocking example of this destructive momentum, destroying the contribution that this proud and skilled society could make to the future of Europe and the world.)

I will then move to the core of my chapter: an exploration of a democracy-driven dynamic of public sector reform whose goal is maximising public benefit rather than maximising private profit. I will explore how such dynamics of change are powered by the shared know-how and public ethics of public sector workers, managers and the communities whose needs the public sector claims to meet. This exploration is based on the actual experiences of workers, managers and communities, organising successfully to halt or reverse privatisation. It is clear from my research across the world that they have succeeded, because they have united and mobilised support around an alternative strategy for public improvement based on popular participation and a strong vision of the public good.

## The Catastrophic Prospects of a Privatised Future: Illustrations from the United Kingdom

### Private railways destroy the right to travel

The privatisation that the UK public is most angry about is the railways. The majority of people now want the railways to be fully renationalised. Every day, travellers experience the contrast between running an organisation to maximise profit and running an organisation to maximise public benefit. From a humanitarian, public perspective, mobility is a human right; but the way private companies have run the railways means that crossing the country (and Britain is a small country) is incredibly expensive, beyond the budget of the majority of people. These are the highest train fares in Europe. Trains are often severely overcrowded and the staff are underpaid and demoralised.

The figures tell a tale of private sector inefficiency. It is calculated that £1.2 billion of public money (effectively subsidising private companies) has been lost each year as a direct result of railway privatisation. This money could have allowed fares to be 18 per cent lower than at present.

The disastrous experience of the privatised railways, such a basic part of everyday life, has begun to re-establish in people's minds the necessity for an economics of the public good (Corporate Watch, 2014).

### Water shortages in a wet country

The next example is water, another clear case where the economics of profit is a source of inefficiency, from the perspective of public well-being.

The drive to privatise water globally has proved to be another privatisation that has awoken people to the fact that the common goods they took for granted are stealthily, sometimes dramatically, being taken away. In Britain the privatisation of water was one of Margaret Thatcher's opening shots. There was a long struggle, but the people were not prepared since water privatisation had not been in the Conservatives' election manifesto. Indeed, this is a distinct trait of privatisation policies: they are never put to the people

in elections; they are always introduced behind the scenes, imposed from the top and without an electoral mandate. It has only been popular campaigns of resistance that have forced a debate. In Italy, Uruguay and Greece, campaigns leading to referendums resoundingly defeated plans for water privatisation (Wainwright, 2014b). In Britain twenty years ago, there were no international experiences we could learn from. But we can look now at the state of our water and share the results as a warning.

Britain is quite a wet country. I used to live in Manchester where it rained almost every day. And yet we are regularly facing water shortages and being told to bath and shower less to save water. The most recent scare of this kind was a water shortage in the South East of England, but the reason was not a particularly dry summer. It was the closure by Thames Water, a private company, of twenty-five reservoirs over the past ten years. A report from the union that was organising water workers reported that closing these reservoirs (often in order to sell the land) meant that rainwater ran off to the sea while the region was considered to be experiencing a drought. The report went on to say that less than 1 per cent of British rainfall was being collected and stored for people's use. At the same time Thames Water had paid out £5 billion in dividends to its shareholders (Milne, 2013).

## **Explaining the Relentless Dynamic of Privatisation**

Privatisation is one of the key demands of the Troika – a tripartite committee consisting of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – to the Greek government as a condition for financial support. Moreover, the Greek government and several other European governments, including Cameron's Conservative government in the UK, persist in driving it through in their own countries as well. Increasingly it is assumed to be the orthodoxy: as if, against all the evidence, the new economic "common sense" is that the mechanism of the private market is a drive for efficiency even in the provision of what are clearly public goods – water, electricity, railway infrastructure, health and education. Why does privatisation have such a seemingly unstoppable momentum when it has been proven to be so inefficient? I suggest the following five factors are at work in combinations shaped by varying national histories.

### **The neo-liberal state**

First, the continuing, and at times escalating, momentum of privatisation well into the twenty-first century indicates something about how the state has changed under neo-liberalism to become increasingly biased structurally towards private corporations. Many state departments in the UK, for example, have a person responsible for liaison with the private sector. These individuals generally have a high status in the department's hierarchy and close access to ministers. Moreover, the capacities of government have been steadily weakened through outsourcing. The stealthy privatisation of the UK's National Health Service is a good example (Leys and Slater, 2012). The ensuing lack of capacity means that the government automatically turns to the private sector and corporate dominance. The process has become a self-fulfilling prophecy (Crouch, 2011).

### **Finance-driven corporations**

A further factor comes from the finance-driven nature of the dominant corporations, including the many who have effectively been the creation of privatisation – Serco and Capita, to name but two. As Andreas Bieler pointed out during the March 2015 meeting of the Futures Commission in Cape Town, corporations are carrying large sums of uninvested funds – or rather funds that are merely making profits out of financial speculation. These corporations are unlikely to take the risk of making new investments in production. The idea of taking over public assets with a secure contract, and therefore predictable flow of almost risk-free income and almost guaranteed profits, is far more attractive to these finance-driven corporate elites. There is a surge of money towards the privatisation of the public sector, which in turn exerts pressure on governments to comply with these lobbies rather than responding to the social

needs of the citizens on whose behalf they claim to govern. Thus, there is a corporate push to privatise complementing the neo-liberal impetus of governments to reduce state capacity and spending. The combination has been lethal to public utilities like water and electricity, to municipal services, and even to the most precious of public institutions – those concerned with health (Whitfield, 2011).

### **The depoliticisation of public administration**

A third factor which helps to explain how corporations and governments have been able to get away with such destruction of public assets is what Edward Webster warned of at the Futures Commission meeting: the depoliticisation of public administration. The mantra of neo-liberalism has been the technical notion of “what works” regardless of ethical values or objectives. And “what works” is measured in terms of conventional financial balance sheets of profit and loss, costs and revenue for each organisation, considered as separate “accounting units”. Gone is any idea of the public good, measured in social terms and allowing for cross-subsidisation based on variations in social need. Moreover, privatisation, with its attendant shift towards commercial confidentiality and the primacy of contracts and market forces, erodes the efficacy of democracy with its principles of transparency, conscious planning and the building of social needs into economic decision making (Whitfield, 2011; Wainwright, 2013).

### **The depoliticisation of public-sector unions**

This process of depoliticisation of public administration has been reinforced by a parallel tendency in the unions to accept privatisation on pragmatic grounds. They bargain for their members’ rights and conditions in the private companies, as if the purpose and content (or use value) of labour was of no importance for their members. This tendency, especially of the trade union leaderships, has its roots in the division between politics and industrial relations which was a founding organisational principle of the labour movement in Europe, and especially the UK, in the early twentieth century. This tended to mean that trade unions delegated political issues – like responsibility for the welfare state – to the Labour Party and treated industrial relations as non-political, except where issues of legislation and government intervention were involved. Hence once privatisation had been accepted, unions retreated to an apolitical collective bargaining over wages and conditions. The other side of this division was that social democratic parties had an apolitical view of union members, seeing them not as knowledgeable producers and worker citizens, but simply as wage earners and sources of party funds and electoral support. When it came to intervening in industry or administering the public sector as governments, this meant that Ministers looked to management rather than to union party members for “know how”, advice and collaboration (Wainwright, in Satgar, 2014).

### **International agreements: beyond national governments and parliaments**

A final factor, in a sense sealing and reinforcing these nationally variable factors, has been an international process taking place behind the scenes of elected legislatures. I am thinking here of the way that the United States, acting especially for the interests of US corporations (through the World Trade Organisation and the International Monetary Fund, for example), has used its power in international bodies to impose privatisation as part of the international neo-liberal regulatory regime. Sometimes this regulatory regime is backed by law, or rather by treaties between government representatives – rarely debated, let alone agreed by national legislative bodies – and sometimes imposed as conditions of loans or in the context of threatened or implied financial sanctions, from withdrawal of US aid to investment strikes by US companies. It is often reinforced through more subtle means, co-opting and pressuring leading politicians and experts who might otherwise be critical (Whitfield, 2011; Wainwright, 2014b).



## Transformative Resistance: A Case Study

To move on to consider strategies in the face of these hostile forces, I want to present a successful struggle against the privatisation of the information technology (IT) services of Newcastle Council. It is an exception to the tendencies outlined above. Therefore, its success is both illustrative of these tendencies at work and suggestive of the possible character of a countervailing alternative (Wainwright, 2013).

It is a struggle which shows a financially troubled corporation in search of risk-free profits. British Telecom (BT) was about to clinch a big deal (£250 million). It was a deal which would position the company, through no productive capacity or entrepreneurial skill of its own, to win more public-sector deals in the North East of England – deals that would ensure a flow of risk-free profits. Before the trade unions in the IT and Related Services section of Newcastle Council decided to resist, BT was getting its way because of a demoralised municipal management, backed by politicians with close relations to private companies in the city. This Council leadership were happy to hand over the problem of running the IT infrastructure to a private company which they assumed, following the priorities of Tony Blair's New Labour, would do a more efficient job and relieve them of problems in the future.

The transformative resistance which challenged this particular private–public bulldozer shows a trade union branch that had remained politicised and thus – for local, historical reasons – was bucking the trend towards depoliticisation described above. It took responsibility for defending public services, campaigning with the insistent slogan, “Our City Is Not For Sale”, in an attempt to awaken Labour politicians to their public responsibilities. Finally, having blocked privatisation, the unions negotiated a relationship with management which would secure their members' interests while working positively on a public, democracy-driven process of improving Newcastle Council's IT infrastructure. After the union branch had successfully pressured politicians and council managers alike to avoid privatisation and to commit themselves to an internal process of change and improvement, the management and unions embarked on a negotiated strategy of improvement which, over a ten-year period, saved £11 million, which was reallocated to front-line services like care for the elderly. This took place without any compulsory redundancies. That was a condition of the unions' positive involvement in the process. “They make me accountable for the change,” said the department's director, referring to the role of the trade unions in the transformation of the IT and Related Services Department. (During and after the transformation, it was known in Newcastle Council as “City Service”) (Wainwright, 2009).

This is a significant story but not one that can be exactly replicated. At its core, however, is the practical demonstration of an alternative, democracy-driven, model of public administration, rather than the market-driven processes presently being imposed on the Global South, including Southern Europe, under the supposed imperatives of austerity and efficiency. My purpose in this chapter is to open up research and debate on the principles of this alternative so that it can be disseminated and built upon, though not mechanically replicated.

## The Search for Alternative, Non-market Principles for Managing Public Services and Utilities

Many distinctive local circumstances and histories (of trade union organisation, and of relations between the local union leadership and leading council managers) converged to produce the notably successful experience of publicly driven public service reform in City Service. There are, however, some general features of local public sector trade unionism and public management at the turn of the twenty-first century. The Newcastle experience of what I call “transformative resistance” is not easily replicable but is also not unique. Indeed, research indicates similar experiences across the world: in South Africa, Brazil, Uruguay, Colombia, Italy and Norway to name those experiences which I have studied (Wainwright, 2014b).

In all these cases, a central part of transformative resistance to privatisation has been an insistence that keeping the service public does not mean defending existing institutions of public administration.

In Norway, local leaders of the Municipal Workers Union were faced with how to win popular support for their resistance to privatisation, and especially to show that the union was not simply concerned about the workplace interests of their members but had the wider society in mind. The union's solution was to involve their members in proposing improvements to municipal services and to develop a model by which this mechanism of internally driven improvement could be sustained and disseminated (Wainwright, 2009).

### **The emergence of a knowledgeable, self-confident public**

A return to the public service model of the late 1940s, the 1950s and the 1960s cannot be the solution. That model was designed after World War 2 mainly to meet the needs of post-war reconstruction with mass, standardised provision of housing, health, social care and education. By the late 1970s, after a massive expansion of higher education across Europe and indeed many parts of the world, and on the foundations of the security of the welfare state, a booming economy and full employment, aspirations, expectations and desires had all changed. So too had people's self-governing capacities, and their self-confidence in their practical "know-how" and skill.

The traditional bond between knowledge and authority was broken by the pervasive revolts of the late 1960s and 1970s, opened up by the events of Paris in May 1968. Everywhere, in every sphere of life – on the factory floor, in the classroom, the bedroom and the kitchen – people questioned the authority of those who traditionally claimed to know how things should be done (Beynon, 1984; Rowbotham, 2002). People had changed from being passive recipients to becoming knowing and potentially co-producing actors in the nature and delivery of public services. This last point will be fundamental to my argument about the new dynamics and relationships of efficient public services.

Here, I want to explore the implications of the 1960s/1970s break of the bond between knowledge and authority for the possibility of managing public resources in a truly democratic manner – for the people, by the people. The hey-day of the welfare state, public utilities and state planning of industry was underpinned by a confidence in social science on the model of the physical sciences as an understanding of knowledge almost exclusively in terms of scientific laws based on observable, constant conjunctures of causes and effects. It was assumed that such laws could be codified and centralised. They were the basis of the authority of the state and of management, and generally of the legitimacy of hierarchical forms of leadership. The work of F. W. Taylor (1911) on "Scientific Management" is a classic example of the practical implications for management of this positivistic understanding of science.

The breaking of the bond between authority and knowledge was associated with a political recognition of the importance of tacit and practical knowledge by the social movements to which we have already referred. The monopoly of scientific knowledge, and therefore of those trained to know its laws, was also broken by a widespread recognition of more plural sources of knowledge – even in the processes, especially the experimental processes, of science itself: intuition, serendipity, practice, social collaboration, improvisation (Polanyi, 1974; Harre, 1977).

### **New institutional clusters founded on a recognition of popular capacity**

The social importance of an understanding of the plural, popularly based nature of knowledge was institutionalised to varying degrees and in different forms from country to country. Political parties like the Workers Party in Brazil, the Movement for Socialism in Bolivia, the *Frente Amplio* in Uruguay and the Socialist Left Party in Norway all made methods of realising and sharing the tacit knowledge of their members and supporters central to their internal organisation and sometimes also to the ways they exercised governmental, or at least municipal, office – with an emphasis on participatory government and popular education, for example (Wainwright, 1994).

In Britain, where a radical party on the left was not on the foreseeable agenda (mainly because of an unproportional, undemocratic electoral system), other institutional forms were developed to apply this new self-consciousness of popular collaborative capacity. Here, I will use just one example to illustrate the kind of developments that I am talking about, with all their reverberations. The example is of strategically

and politically minded grassroots trade unionism in the manufacturing industry in the 1970s. It involved workplace trade union leaders organising across workplaces to build up a counter-power to a single multi-plant, sometimes multi-national employer. These “shop steward combine committees”, as they were called, grew out of struggles against the redundancies and corporate rationalisations of the 1970s. With their combination of designers and skilled workers, they put a strong emphasis on campaigning around socially useful industrial alternatives to factory closures and workers on the dole. A particularly well-known example was the Lucas Aerospace Combine Committee (Wainwright and Elliott, 1984). Other examples include combine committees in Vickers Engineering and Chrysler. At the same time, these workplace organisations collaborated with similarly political trade union organisations, such as the Trades Councils, as well as left-inclined municipalities (for example, London, Sheffield, Manchester) and networks of critical intellectuals (for example, the British Society for Responsibility in Science, the Institute for Workers’ Control, and a variety of local research centres and academic worker collaborations).

Together, these and many other new but hybrid institutional clusters, closely linked to historical labour movement organisations, turned the new consciousness of tacit knowledge and popular capacity into a powerful political legacy that is still active to this day. For instance, the “workers plans” campaign across Tyneside as an alternative to the devastation of the shipbuilding and heavy engineering industry was a decisive inspiration to the leaders of the local UNISON branch in its decision to press for a public alternative to BT’s bid to take over Newcastle Council’s IT and Related Services and to involve its members in the shaping of this bid. In Uruguay, the experience of participatory government in Montevideo under a *Frente Amplio* government probably influenced the citizen worker campaign for water as a common good and the campaign’s insistence on transparency and popular management of the public water company (Spronk, 2009).

### **The impact of the neo-liberal revenge**

The life of these institutions, carrying the legacy of the new mentalities, proved to be limited, however. This was especially so in Europe, and particularly in the UK where Thatcher’s revengeful destruction of the institutions of post-war social democracy – the welfare state, full employment and labour rights – virtually destroyed the institutions on which a new generation with more radically democratic aspirations and capacities were trying to build (Harvey, 2005).

In societies most hit by the neo-liberal tsunami, the emerging institutional clusters of a “participatory left” were dispersed, demobilised, marginalised and, under Tony Blair’s New Labour, demonised. But their underlying spirit, combining a sense of personal capacity with an egalitarian and co-operative ethic of collaboration, did not disappear. It resurfaced in a wide variety of forms. These range from the weak but ambivalent form of a dispersed, depoliticised and easily appropriated entrepreneurialism producing innovative niche businesses that large corporations have been quick to take over in the absence of internally generated creativity, to the stronger, more directly political form of the mass movements of the *Indignados* across Southern Europe and the Occupy or Blockupy movement of North Europe and the US. At a scattered everyday level, it is evident in the impetus that the IT revolution has given to an ethos of sharing knowledge and culture, leading to a collaborative productivity and to the emergence of a “digital commons” and an increasingly self-aware and occasionally politically combative movement of cultural commoners; indeed, there is evidence that this dynamic contributed to the base of the *Indignados* and the Occupy movement (Bauwens, 2014; Berlinguer, 2010). It is also evident in a scattered and sometimes ambivalent social entrepreneurialism, through which a generation of ethically and ecologically conscious young people are pursuing their ideals in a “DIY” manner, in a context where the political opportunities open to previous generations have been closed. Their cooperative and social entrepreneurial initiatives are growing in spheres of social care, welfare and shared infrastructure recently vacated by the state in the neo-liberal drive towards minimal public provision. Thus Community Land Trusts are being created by citizens across the UK in order to use what had been public assets for community use, including the building of social housing. For example, a number of schools are being turned into cooperative schools

with a link to the municipality, in an effort to retain their social character (Murray, Caulier-Grice and Mulgan, 2010).

These kinds of developments, autonomous from the state yet with social and publicly oriented missions, raise important questions for defending and improving public services and for the role of trade unions in this process. Is there a strategically useful framework that could bring together these diverse developments, without undermining their autonomy, into a common transformative project? In the next section, I will suggest some lines of inquiry.

## **A Social Knowledge Economy and a New Significance for the Commons?**

A starting point for such an enquiry might be to compare the values and meta-theoretical assumptions on which campaigns organise to defend public services on the one hand, and the basis for the new social economy in these areas on the other hand. I'm drawing from a superficial knowledge of the solidarity economy in the UK, in Greece and in Italy. Again, systematic research and experimentation is needed.

There are a few obvious points of convergence. First is their relation to the market and the purpose or wider context of the activity concerned. Here I draw on Marx's analysis of the dual nature of labour under capitalism, as both "abstract" and "concrete". It is abstract in that it involves the production of commodities that are exchanged in the market for money from which the employer takes profit and pays wages. It is also concrete in the sense that it produces material products or services of particular usefulness. What is illustrated in both the transformative struggle against privatisation and the solidarity economy is that there is a difference between two kinds of value – the exchange-value of abstract labour and the use-value of concrete labour. They are in constant tension. The production of use-value is the object of the potentially purposeful creative labour that under capitalism is subordinated to the employer and finance-imposed discipline of producing exchange-value and maximising profit (Elson, 1979). In the struggle over privatisation, this tension is particularly acute, especially when those defending publicly provided public services do so in terms of the public usefulness of or social need for the service, rather than simply in terms of jobs and wages. The point here is that publicly funded and delivered public services are economic activities that have been partially taken out of the capitalist marketplace.

As non-market and (theoretically) democratic institutions, they are governed by political and social goals. The economics of the organisation is about the allocation of budget, constrained by levels of taxation and therefore levels of public revenue. In the creation of public services and utilities, they were based on a very different economic arrangement from that of a capitalist enterprise (Hart, Laville and Cattani, 2010).

From the point of view of the organisation of labour, however, the distinctiveness of the public sector has often not been very apparent. Nor have its measures of efficiency always been sensitive to considerations of public benefit, the quality of relations with the public or the nature of the service. In the name of a notion of efficiency copied from the private sector, the public sector came to replicate the "production line" practices of private capitalism, with workers allotted small, repetitive tasks and given no opportunity to use their creativity and knowledge to shape the whole. Thus the important point is that workers become alienated from their own labour. Similarly, before the pervasive spread of privatisation, the taken-for-granted routines of trade unionism in the public sector generally appeared to be based on those of trade unionism in the private sector, with governments or councils as the employer rather than capital (Terry, 2000).

While public sector unions often deployed sources of bargaining power specific to the institutionally political nature of their members' employment contracts – mobilising public opinion, using party-union links, and so on – it has been exceptional for these unions to make the nature, organisation and future of the service central to their campaigns.

However, since the concerted programmes of privatisation have sought to subject these services explicitly and aggressively to the market and the logic of exchange value, a new kind of public sector

trade unionism has begun to appear, mainly at the grass roots and often under the influence of wider citizen movements (Brennan et al., 2007). They have, as we have seen, created a dynamic in which the struggle against privatisation becomes about more than public versus private ownership. It is also about democratic control over the process and purpose of workers' labour, including the accessibility and quality of the service itself. This commitment to the purpose and quality of the service has always been characteristic of public service workers. The point here, however, is that in these transformative struggles against privatisation, it explicitly becomes a central issue around which public service unions are organising.

We can observe a similar motivation in the creation of the solidarity economy in spheres of health, education, home care and energy production. Different driving forces are evident in different contexts. Sometimes it is groups of young people who want to do something useful, and who have chosen specialist training with that in mind but find there are no jobs in the public sector, either because of austerity or privatisation. Yet the need is often urgent, as in Greece (Katerini, 2013). So they create a cooperative or social enterprise to meet that need, on an autonomous basis with a mix of charitable and public funding. Sometimes it is a public organisation, such as a school, threatened with privatisation, which chooses the cooperative model as a way of retaining social goals; it may even link with an elected authority while complying with enforced removal from the state system. In general, the workers and citizens creating these non-state social organisations are concerned with the use-value of their labour and therefore potentially have a close bond and common cause with workers resisting privatisation (Davies, 2011; Wainwright, 2014a).

Similarly, the very nature of the labour involved in social care and social provision, whether based in the state or the social economy, conflicts with the logic of profit and of quantitative measurement if it is to be maximally useful. It is based on the collaborative exercise of tacit knowledge through social relations appropriate to the nature of the needs concerned. None of this can be usefully subordinated to the pressures or measurements of profit and cost. Again, in both contexts of work – the public sector and the solidarity economy – the goals require value-based judgements and forms of measurement, based on the recognition of the tacit knowledge of all, rather than the presumption of an all-knowing and all-controlling management, whether corporate or state (Wainwright, 2013).

Not only is the labour involved in these different forms of organisation and ownership convergent, but these forms of social economy – the public and the autonomous social – are also potentially complementary. Under conditions of genuinely democratic control, the public form could provide financial security for the well-being of all, whether from the state or the social economy or, ideally, some combination of the two. On the other hand, the autonomous social sector provides a basis for innovation and constant improvement, as does a collaborative and participative labour process within the public sector (Murray, 2013). The idea of the commons, not only as a natural but also as a social concept is important here (Briar, 2015). Drawing on Benkler (2006), a commons is defined as “when no one uses exclusive rights to organise effort or capture its value and when co-operation is achieved through social mechanisms other than price signals or managerial direction”. It could be argued that cognitive labour and knowledge are the common element that makes possible the social structure of a commons as an activity or resource.

This broadened notion of the commons potentially crosses all junctions of social production (Briar, 2015). It also points to the potential of social relations of property founded on use, mutualisation of resources and non-appropriation. This would result in a transformation of public finance from being distant from public control to being part of a truly public economy, while at the same time reducing the vulnerability of the social and cooperative economy to either destruction or appropriation by the predatory character of the market.

These ideas require much further development. The aim in doing so is to provide a conceptual and material basis for a much-needed transformation of the labour movement in a direction towards strong alliances with civic and social movements (Saul, 2013). By modern version, I mean one which is not only, or even primarily, about protest but rather about an alternative form of economy, rooted initially in the



spheres of the solidarity economy and the state as a social provider, but bringing them together to resist the private market and to spread an alternative, social, valued-based economic logic.

## Points for Discussion

This chapter explores experiences and ideas about new trade union strategies for resisting privatisation while at the same time proposing alternative, democracy-driven perspectives on public sector reform. The starting point is an analysis of why privatisation has persisted, even gathered pace, worldwide. Here are some points to think about:

1. From your own observations and experiences, are we facing a deeper problem than simply pro-private policies of reactionary governments? Is it a problem which involves fundamental changes in the way the state and the economy has evolved in the era of neo-liberal regimes?
2. How far have these structural changes shown up weaknesses in traditional trade union policies and strategies, based primarily on defence of jobs, wages and conditions?
3. What could be the possible sources of power for working-class organisations in the context of the changed nature of the state, the erosion of traditional forms of representative democracy and the shift of capitalism and capitalists away from production towards finance?
4. This chapter draws on a variety of experiences of successful “transformative resistance” to privatisation and explores new strategies for labour. Do you think workers in the public sector face distinct problems and have distinct sources of power compared to workers facing, for example, corporate takeover, closures and redundancies in the private sector?
5. How could the nature of the “product”, the work of public sector workers – the fact that it is about meeting a public need and (before privatisation) not making a profit – be relevant to developing trade union strategies in the face of privatisation? And in what directions does this point in terms of alliances and demands?
6. The chapter argues that one potential resource for transformative resistance is the increased capacity and self-confidence of the mass of workers in the past forty years or so. Can workers’ knowledge, including tacit knowledge, be a source of power for resistance and for alternatives? How far can unions organise this knowledge and how can the knowledge of users of the public sector also become a source of power? How should the unions reorganise and reach out to realise this knowledge power and this community power?
7. With whom should the unions organise to defend public goods and improve their quality? Does this include entrepreneurs of any kind? Can it usefully involve reviving, in a new form, the links that trade unions had with the co-operative movement?



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# Chapter 5

Alternative Conceptions of a  
“Just Transition” from Fossil  
Fuel Capitalism

Jacklyn Cock

***“If we don’t know where we want to go, no path will take us there” (Leibowitz, 2010: 7).***

## **Introduction**

This chapter<sup>11</sup> attempts to answer three questions:

1. What are the main approaches to a “just transition”?
2. What would an eco-socialist society look like?
3. What do we have to do to get there?

It has been suggested that addressing the climate crisis amounts “to a set of changes as dramatic as those of the Industrial Revolution” (Brown, 2009: 13). The author of those words was at the time the CEO of one of the largest fossil fuel companies, British Petroleum (BP), and the highest-paid executive in Britain – hardly a radical voice. However, there is no consensus on the depth or direction of those changes. In one sense the “just transition” is a shallow and incoherent notion, an empty signifier with no agreement on its substantive content.

Powerful social forces, especially those linked to the fossil fuel industry, are promoting the notion of a transition to a low-carbon, resource-efficient, neo-liberal capitalism packaged as a “green economy”. An alternative is necessary because the fundamental cause of the crisis, and of climate change specifically, is the expansionist logic of capitalism.

**No serious observer now denies the severity of the environmental crisis, but it is still not widely recognised as a capitalist crisis, that is a crisis arising from and perpetuated by the rule of capital, and hence incapable of resolution within the capitalist framework (Wallis, 2010: 32; see also: Harris-White in Panitch and Leys, 2006; Kovel, 2001; Foster, 2009; Klein, 2014).**

These critiques have been rooted in the understanding that capital’s logic of accumulation is destroying the ecological conditions which sustain life.

## **An Alternative Post-capitalist Future**

If we are aspiring, as James Ferguson (2009: 167) suggests we should, “to link our critical analysis to the world of grounded political struggle – not only to interpret the world in various ways, but also to change it – we should move beyond “denunciatory analyses” to ask “what do we want?” This is a quite different question (and a far more difficult question) than: “what are we against?” This is not an easy task. Many of us suffer from a lack of political imagination. As Donna Haraway (1991: 23), one of our most creative left intellectuals, once admitted, “If I had to be honest with myself, I have lost the ability to think of what a world beyond capitalism would look like”. This inability is being further eroded by some of the commentaries on the ecological crisis which are promoting “catastrophism” – an apocalyptic vision of a future in which human existence is uncertain.

<sup>11</sup> This chapter draws on a review of relevant primary and secondary literature, as well as interviews with key informants from the labour and environmental justice movements. It is grounded in my participation in the COSATU/NALEDI Reference Group on Climate Change and in the newly formed COSATU Environmental Policy Group. It has been enriched by my work with different groups of environmental justice activists including young African men organised in the Vaal Environmental Justice Alliance (VEJA) and with mainly older African women organised in the Feminist Table, as well as Earthlife Africa’s Sustainable Energy and Climate Change Project.

At the same time the ecological crisis is deepening. In South Africa there is land degradation, water scarcity, air and water pollution, acid mine drainage, acidification of the oceans and loss of biodiversity. Despite twenty-one years of international negotiations there is no binding global agreement on the reduction of carbon emissions. In fact, carbon emissions are rising (61 per cent since 1990), which means that climate change is intensifying and having devastating impacts – particularly on the working class – in the form of rising food prices, water shortages, crop failures and so on. Africa is the worst affected.

## Contested Notions of a Just Transition

Three broad approaches to the goal of a just transition may be identified:

- The “extreme” version of a green economy, which emphasises providing capital with incentives to change by arguing that the climate crisis can be a source of speculation and profit.
- A more moderate version of a shift to a low-carbon economy (also sometimes framed as a “green economy”), which involves shallow, reformist change focused narrowly on constructing a new energy regime with “green” jobs, new technology, social protection and consultation. The emphasis is defensive and shows a preoccupation with protecting the interests of the most vulnerable.
- An alternative notion, which views the climate crisis as a catalysing force for massive transformative change, an alternative development path and new ways of producing and consuming. In this sense the climate crisis could be a historic opportunity, a turning point, a catalysing force for fundamental change to reclaim the commons and build a socialist future. For Kovel (2001: 258), for example, the climate crisis means that “a moment for the global realization of ecosocialism has arrived”.

## Capital’s Approach to a Just Transition: A Green Economy

Capital’s response to the ecological crisis is that the system can continue to expand by creating a new sustainable or green capitalism, bringing the efficiency of the market to bear on nature and its reproduction. The two pillars on which green capitalism rests are technological innovation and expanding markets, while keeping the existing institutions of capitalism intact. Underlying these strategies is the broad process of commodification: the transformation of nature and all social relations into economic relations, subordinated to the logic of the market and the imperatives of profit (Cock, 2014).

The latest extreme version of this green capitalism packaged as “the green economy” relies on new technology and expanding markets to make the climate crisis a source of economic growth and profit (Cock, 2014; Satgar, 2014). This version of the green economy includes the “financialisation” of nature, thus reducing nature to “natural capital”. It is part of what Bond (2014) calls “climate crisis capitalism”, which involves the global managerial elite strategy of turning the climate crisis into a source of speculative profit.

This market-based approach assumes that nature should be measured and valued according to the “ecosystem services” it provides – the way wetlands clean water, and soil captures carbon and so on. In this way nature’s services can be costed, offset and traded on markets via credits similar to carbon trading. It means the expansion of the market into all aspects of the natural world, and represents an attempt by capital to effect the last enclosure of the commons – that of Nature itself.

This extreme version of the green economy is being actively promoted by the powerful forces that Susan George (2010: 7) has called “the Davos class” – an alliance of government leaders, philanthropists and corporate executives who form the “nomadic, powerful and interchangeable” global elite created by

capitalist globalisation. As Richard Branson expressed it at the Rio+20 conference, “Our only option to stop climate change is for industry to make money from it”.<sup>12</sup>

## The South African State’s Approach to a Just Transition

### The green economy

For the South African state the green economy, in both its moderate and extreme versions, is the driving notion in a green neo-liberal capitalism. The discourse of a just transition is sometimes used to legitimate this approach. There is an incoherence in some of the policy documents, and the green economy is often either undefined or defined in a very narrow, technicist sense. South Africa’s “so-called green developmental state ... is merely reproducing the minerals-energy complex as part of a new post-apartheid resource nationalism and green neoliberal capitalism” (Satgar, 2014: 148). In this approach the financialisation of nature is gaining momentum in the form of biodiversity and carbon offsets as neo-liberal accumulation strategies.<sup>13</sup> At the time of writing, South Africa’s Department of Environmental Affairs and the Treasury are finalising a hybrid approach to a carbon tax which is linked to a carbon offset scheme.<sup>14</sup> In a 2014 discussion between the Congress of South African Trade Unions (COSATU) and two Treasury representatives, the latter admitted that such a scheme would have little impact as regards emissions reduction (Carbon tax seminar, Cosatu House, 12 November 2014).

### The blue economy

Triumphalist claims are now being made about the potential of job creation and economic development in the “blue economy” as well as the green economy. Instead of increased protection of the oceans, which have absorbed about 30 per cent of the carbon emissions globally, leading to acidification, there is now talk of using the oceans to promote accumulation in the notion of a blue economy. Drilling for new sources of oil and gas is at the centre of this strategy, using ever more dangerous technologies such as fracking and deep-sea drilling. Fossil fuel companies have been awarded exploration rights stretching from Mozambican waters to Saldanha Bay in the Western Cape.<sup>15</sup>

## Labour’s Approach to a Just Transition

Since the 1990s the concept of a just transition has become part of global union environmentalism. Driven largely by the International Trade Union Confederation (ITUC), the influence of the labour movement is evident in the collaboration of ITUC with the International Labour Organisation (ILO) and the United Nations Environment Programme (UNEP) in promoting green jobs as central to a just transition (Rätzkel and Uzzell, 2013). ITUC describes a just transition as:

12. The key document published in 2011 promoting the extreme version is the United Nations Environment Programme’s (UNEP) preparatory report for the Rio+20 conference, *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication* (UNEP, 2011b). A lengthy document (630 pages), it has been described as “a radically conservative vision” (Brockington, 2012). The three other influential documents are *The Economics of Ecosystems and Biodiversity* (TEEB) (UNEP, 2011a), the World Bank’s (2011) report on *Inclusive Green Growth*, and the European Union’s *Innovating for Sustainable Growth: A Bio-economy for Europe* (European Commission, 2012).
13. This practice involves offsetting or “compensating” for the loss of biodiversity caused by some developments by securing equivalent biodiversity elsewhere.
14. The carbon offset part of the proposed tax gives larger, carbon-intensive companies the opportunity to contribute a good portion of their carbon tax liability into carbon offsets, also known as carbon credits. For example, if a company purchases offsets in a qualifying project such as reforestation or waste-to-energy, which would reduce carbon emissions by x amount, then this amount could be used to reduce or “offset” their own emissions and thus their liability for carbon taxes.
15. In May 2011 the Petroleum Agency of South Africa authorised seismic oil surveying by a Singapore-registered company, Silver Wave Energy, in water depths ranging from thirty metres to two kilometres. By comparison, BP’s Deepwater Horizon platform in the much calmer Gulf of Mexico drilled 1.5 km down to the seafloor surface (Bond, 2011).



...a tool the trade union movement shares with the international community aimed at smoothing the shift towards a more sustainable society and providing hope for the capacity of a green economy to sustain decent jobs and livelihoods for all (ITUC, 2009: 14).

The ILO defines a just transition as:

...the conceptual framework in which the labour movement captures the complexities of the transition towards a low-carbon and climate-resilient economy, highlighting public policy needs and aiming to maximize benefits and minimize hardships for workers and their communities in this transformation (ILO, 2010: n.p.).

However, there is no consensus on the content of the concept, and “very little has been achieved in terms of translating this concept into policies” (Stavis and Felli, 2015: 29).

Two broad approaches to the notion of a just transition may be identified within the global labour movement. The minimalist position (of the ITUC and the ILO) emphasises shallow, reformist change which includes green jobs, social protection, retraining and consultation. The emphasis is defensive and shows a preoccupation with protecting the interests of vulnerable workers. An alternative notion views the climate crisis as a catalysing force for massive transformative change, an alternative development path and new ways of producing and consuming

One example of this minimalist view that is sympathetic to labour argues that:

...a just transition requires three elements: sustainable industrial policy, robust social protection or ‘safety nets’ and wide-reaching and creative labour adjustment programs. ... [None of these] can be delivered by the supposedly free market. Only governments have the institutional strength and authority to stand up to irresponsible private interests, but through ideology and corruption have so far failed to do so (Kohler, 2014: 4).

From this perspective a just transition should be an “orderly” transition that “respects and protects today’s workers while creating new, decent work in sustainable industries for to-morrow” (Kohler, 2014: 4).

Very recently the South African labour movement has expressed its commitment to a *just* transition. However, there are very different understandings of the scale and nature of the changes involved.

In 2011 the Central Executive Committee of COSATU adopted a Climate Change Policy Framework of fifteen principles, which was endorsed by all twenty affiliates (COSATU, 2012). The most significant of these principles were:

- Capitalist accumulation is the underlying cause of excessive greenhouse gas emissions, and therefore global warming and climate change.
- A new low-carbon development path is needed which addresses the need for decent jobs and the elimination of unemployment.
- Food insecurity must be urgently addressed.
- Market mechanisms to reduce carbon emissions are rejected.
- Carbon trading is dismissed as a “manifestation of ‘green capitalism’ which is aimed at making profits from climate change, not solving it” (COSATU, 2012: 52).
- A just transition towards a low carbon and climate-resilient society is required.

The explanatory note reads, “The just transition is a concept that COSATU has supported in the global engagements on climate change that have been led by the ITUC” (COSATU, 2012: 53). The basic demands that are emphasised are investment in environmentally friendly activities that create decent jobs, social protection, research and skills development. This implies conformity to the minimalist, reformist position; however, the note goes on to say, “As COSATU we need to ensure that the concept of a just transition is

developed further to fully incorporate our commitment to a fundamentally transformed society” (COSATU, 2012: 53).

At the same time there are elements of support for the notion of a green economy rooted in the construction of green jobs. Evidence of COSATU’s support for the green economy is the signing of the Green Economy Accord in November 2011, which launched a “green partnership” and binds government, business and labour to creating thousands of jobs by building a green industrial base. It established four principles for the green economy: opportunity, innovation, responsibility and partnership (DED, 2011: 3). At the signing, COSATU’s then General Secretary Zwelinzima Vavi said, “We have made a commitment through the NGP [New Growth Path] to create five million jobs in the next ten years. And this agreement on green jobs will make a very critical contribution to the realisation of that target” (quoted in DED, 2011: 5). This commits unions to help establish workplace committees to ensure efficient energy usage, and has “a rich potential to create more jobs and create a healthier world” (Vavi, 2012a). The emphasis was strongly on new green jobs; areas specified were the installation of one million solar water heating systems, promoting bio-fuels, promoting clean-coal activities, waste disposal and recycling, electrification of poor communities and promoting energy efficiency throughout the country.

However, labour has pointed to several problems in the current formulations of green jobs: many inflated claims are made which are not supported by empirical evidence, and insufficient attention has been paid to issues of quality and job losses, especially for the thousands of workers employed in energy-intensive jobs. At present green jobs (for example, in the privatised renewable energy programme) are driven more by the interests of the market rather than by social needs.

On these grounds the National Union of Metalworkers of South Africa (NUMSA) has rejected green jobs as a component of a new green capitalism. In relation to the renewable energy sector, NUMSA spokespersons have pointed out that green jobs can be as indecent as other jobs. They can use cheap labour, exploit women and children, use labour brokers and be dangerous in terms of occupational health and safety. The likelihood of green jobs being increasingly incorporated into a green capitalism, driven by the expansion of markets and new technology, has promoted a more rigorous, alternative formulation of “climate jobs”.

Not only is there some ambiguity within COSATU, there are differences between the affiliated unions. NUMSA, representing thousands of workers in energy-intensive industries, emphasises “ecological imperatives to reduce greenhouse gas emissions” but also stresses public ownership and democratic control (numerous speakers at the International Conference on Building a Socially-Owned Renewable Energy Sector, Johannesburg, February 2012). NUMSA argues that the shift to a low-carbon economy, and particularly the development of renewable energy, is being dominated by green capitalism. This means that a transition to a green low-carbon economy could mean a future dominated by nuclear and privatised renewable energy in which electricity is unaffordable for the mass of working people. According to NUMSA’s President, Cedric Gina (2011), “...the language of ‘just transition’ needs a class analysis... It must always be clear that capitalism has caused the crisis of climate change that we see today. There is an urgent need to situate the question of climate change in a class struggle perspective”. NUMSA (2011) believes a “just transition must be based in worker controlled, democratic social ownership of key means of production and means of subsistence... Without this... the just transition will become a capitalist concept, building up a capitalist ‘green economy’”. NUMSA’s vision is of a socially owned renewable energy sector and other forms of community energy enterprises where the full rights for workers are respected.

A very different perspective informs the National Union of Mineworkers (NUM), representing thousands of workers, including coal miners. This sector is obviously particularly sensitive to the threat of job losses in the move to a new energy regime, and some shop stewards have expressed faith in new technology to reduce carbon emissions, especially Carbon Capture and Storage. There are also different positions on the expansion of coal usage within NUM.

At a workshop of the Food and Allied Workers Union (FAWU) in Johannesburg in October 2013, delegates expressed support for green economy projects and climate jobs in the poultry sector. At the same workshop, strong agreement was expressed for a class understanding of a just transition to a green

economy on the grounds that, as consumers, the working class would be badly affected by the rise in food prices resulting from climate change.

In a statement which clearly prioritises political over environmental considerations, Zwelinzima Vavi (2012b: 2) has said, “We will not support any form of capital accumulation that breeds inequalities – even if those forms of capital accumulation are green”. This hints at a more radical, transformative concept of the green economy as involving not just shallow change with new technology, green jobs, social protection, retraining and consultation, but an alternative growth path with new ways of producing and consuming. This approach is critical of how the just transition is frequently reduced to decarbonisation, to a set of technical issues centred on moving away from coal as our main source of energy, reducing carbon emissions and creating a new energy regime.

The ecological and economic restructuring implied by this alternative could win extensive trade union support globally. As Sweeney (2012: 13) writes,

Unions can be confident that the ecological case for the public ownership and democratic control of carbon- and pollution-intensive industries and services – beginning with power generation and energy-delivery systems – is cast iron. Given the impact of privatization on workers and communities, the social case is similarly strong. The goal should be to expand democratic control over major investment and production decisions and over financial institutions and transactions, while asserting a new set of social and economic conditions on private capital for the good of workers and the environment.

## **The Environmental Movement’s Response to a Just Transition**

During the rule of the apartheid regime, environmentalism operated effectively as a conservation strategy but neglected social needs. For many black South Africans dispossession was the other side of conservation as they were forcibly removed to create national parks and “protected areas” and in the process lost the land and livelihoods which often defined social identity (Walker, 2008). The notion of environmental justice represents an important shift away from this traditional authoritarian concept of environmentalism, which was mainly concerned with the conservation of threatened plants, animals and wilderness areas, to include urban, health, labour and development issues (Cock, 1991).

The discourse of environmental justice rejects the market’s ability to bring about social or environmental sustainability. It puts the needs and rights of the poor, the excluded and the marginalised at the centre of its concerns, particularly in relation to the impacts of climate change. It represents a powerful challenge to the economic growth model, to the anodyne concept of sustainable development and to the increasing commodification and financialisation of nature packaged as the green economy. This environmental justice approach emphasises food sovereignty, which challenges both corporate power and the abuse of the environment. It could be a building block in a just transition to eco-socialism.

## **Voices from the Margins: A Critical Response to the Notion of a Just Transition – A Building Block for Eco-socialism**

New social formations are emerging in contemporary South Africa from grass-root networks which contain flashes of an embryonic vision of a post-carbon AND a post-capitalist society. Many of these formations are organising around concrete issues in the everyday experience of working people, especially rising food prices as part of the current food crisis.

There is a food crisis which is marked by the co-existence of hunger (half the population is officially classified as “food insecure”), waste (one-third of all food produced is thrown away), and extravagant over-consumption on the part of the elite. The recognition is spreading that the present food regime is unjust,

unsustainable (because of its dependence on fossil fuels) and unsafe (with toxic pollution, especially from highly processed foods). This situation will worsen with the spread of mining and the impact of climate change. COSATU has a history of addressing this issue. It is connecting with several collective initiatives – such as the Food Sovereignty Alliance,<sup>16</sup> various initiatives dominated by African working-class women (such as the Rural Women’s Assembly, Women on Farms, Biowatch, the Feminist Table), the Climate Jobs Campaign, and Earthlife’s Sustainable Energy and Livelihoods Project. At many forums it is recognised that a key driver of the food crisis is corporate dominance.

Corporations have been described as “psychopathic institutions” in the sense that they pursue profit with a callous disregard for the social and ecological impact of their actions, and show other psychopathic symptoms such as a reckless disregard for the safety of others, an inability to feel guilt and so on (Bakan, 2003). In the pursuit of growth and profit, corporations promote an anti-social institutional culture.<sup>17</sup> The foundational concept in these initiatives is that of food sovereignty, which is a direct challenge to neo-liberal capitalism.

Furthermore, working for food sovereignty means reshaping the relationship between human beings and nature through agro-ecology. Through their role in food production and administration of household consumption, women are leading the way in this. In several initiatives this is linked directly to a just transition, as, for example, in the Earthlife Sustainable Energy and Livelihoods campaign driven by the Women in Energy and Climate Change Forum (WECCF) which consists of representatives from women’s grassroots organisations. This project involves establishing different operational renewable energy technologies such as solar panels and biogas digesters, rainwater harvesting and agro-ecology as one component of food sovereignty. It is funded by the European Union which has a marketised approach to climate change. Furthermore, in interactions with the women involved in the WECCF, they are open to eco-feminist socialist thinking (without adopting the label to describe themselves).

According to Angus (2009), eco-socialism promises radical transformations in present patterns of food production and consumption through localised food sovereignty, as well as changes in production and consumption which are based on waste, competition and pollution, the energy system, and the transportation system.

## **A Just Transition to an Alternative Development Path: What Would a Democratic Eco-socialist Society Look Like?**

As a body of ideas, eco-socialism is not monolithic – it embodies many different views about theory and practice. However, at the core of a democratic eco-socialism is the link between the principles of sustainability and justice. To illustrate: the key question about ecological sustainability is not only to protect limited resources but to ensure that resources are used for the benefit of all, not only the privileged few. For example, in South Africa 22 per cent of households lack access to energy, either due to the lack of infrastructure or to unaffordable pre-paid meters. Justice demands the provision of affordable energy for all. Linking justice and sustainability demands that energy takes the form of not only affordable but clean and safe energy, which means renewable energy.

16. Launched in March 2015 by an assembly of some sixty different organisations.

17. Two examples of widespread psychopathic corporate practices regarding food are: (i) Price fixing. Dave Lewis, former chair of the Competition Commission, believes that cartel activity should be criminalised under South African law: “People involved in price fixing should go to jail”, he said (quoted in *The Star*, 5 June 2009). Cartel activity around the bread price is particularly heinous given that bread is a staple food of the poor, particularly for those living in informal settlements without access to electricity. (ii) The adulteration of food – in this case chicken, a main source of protein for the working class. There is a widespread practice of “plumping” which involves injecting chicken with brine; this dilutes the nutrients and adds hidden salt. “Sodium from the brine will, over time, have devastating effects on consumers’ health”, according to the chief executive of the Association of Meat Importers, David Wolpert. According to him, “much of our local poultry is heavily injected with brine. In many cases this exceeds 40% of the chicken meat”. He calls this the “con of the decade: selling salt water as if it were chicken” (*The Star*, 8 December 2014).

At a general level eco-socialism involves reformulating the classical socialist project so that it also becomes a democratic and ecological project aimed at satisfying human needs and restoring a balance between humans and nature. “For eco-socialists, the market’s profit logic, and the logic of bureaucratic authoritarianism within the late departed ‘actually existing socialism’ are incompatible with the need to safeguard the natural environment” (Leibowitz, 2010: 4).

There is no blueprint for a democratic eco-socialism; such an alternative has to be built from the bottom up in a process of participation. However, several key core values – which contrast with the values of neo-liberalism (such as materialism, a possessive individualism, economic growth and efficiency) – are being expressed in new social formations and could provide a kind of compass for a vision of an alternative order. These include:

- The satisfaction of needs. The aim of the struggle for socialism is, in the first instance, to replace a society based on profit by one based on satisfying the needs of people.
- The social ownership and control of productive resources.
- A new, more participatory form of democracy. In a parallel recognition that growth (now in the form of “green growth”) is intrinsic to capitalism, there is a growing understanding that Western-style democracy legitimates capitalist inequalities. “Even more than dictatorships, Western-style democracies are ... the natural system of governance of neoliberal capitalism, for they promote rather than restrain the savage forces of capital accumulation that lead to ever greater levels of inequality and poverty” (Bello, 2014: 5).<sup>18</sup>
- A new narrative of relations with nature. Concern for nature was a fundamental part of Marx’s thought. He wrote in Volume 3 of *Capital*, “Even an entire society, a nation, or all simultaneously existing societies taken together, are not owners of the earth, they are simply its possessors, its beneficiaries, and have to bequeath it in an improved state to succeeding generations...” (cited by Foster, 2009: 182). Thus, as Foster (2009: 181) points out, Marx “captured the essence of the contemporary notion of sustainable development...” However, this concept has been perverted and has failed to deliver its earlier promise. We have now reached the limits of nature as a safe source of raw materials for our economic activity and a sink for our waste products. Central to eco-socialism is an alternative conception of nature that emphasises respect, cooperation, sharing and an acknowledgment that humans exist as part of an ecological community.
- Rethinking economic growth and development (particularly extractivism). The recognition is growing that further economic growth could mean ecological catastrophe. As Maude Barlow (2004: 12) expresses it, “Until the growth model is truly challenged, great damage to the earth’s ecosystems will continue”. The notion that economic growth inevitably means development and that job creation means poverty alleviation is clearly false.
- A confidence in human beings – in the capacity of both women and men to reason, to share, to learn from mistakes, to cooperate, to care for each other and, most importantly, a confidence in our capacity to work together to create a more just and equal world. This confidence implies social relationships that are marked by solidarity, meaning a commitment to collective empowerment rather than individual advancement. “Capitalism as a system thrives on the cultivation and celebration of the worst aspects of human behaviour – selfishness and self-interest, greed and competition. Socialism celebrates sharing and solidarity” (Angus, 2009: 197).

18. The democratic form is being eroded by widespread mistrust and what Klein (2014: 361) refers to as the “corporate-state-power nexus that underpins the extractive economy and ... which is leading a great many people to face up to the underlying democratic crisis that has allowed multinationals to be authors of the laws under which they operate, whether at the municipal, state/provincial, national or international level”.

## What do we have to do to Reach a Democratic Eco-socialist Future?

There could be five immediate political tasks in promoting an eco-socialist agenda:

1. Reclaiming socialism. For many people socialism is discredited because of its history of authoritarianism, human rights abuses, the intolerance of dissent and environmental destruction. Reclaiming involves stress on a new kind of socialism that is ethical, democratic and ecological.
2. Strengthening the linkages between the labour and environmental movements. Clearly workers and their organisations are an indispensable force for addressing the climate crisis through a just transition. “Environmentalists are workers and obviously potential allies in their efforts to advance workplace health and safety, and also to tackle environmental concerns of working class communities: for workers bear the brunt of environmental degradation and destruction, both in terms of health and quality of life issues” (Jakopovich, 2009: 75). This recognition is at the centre of what J.P. Nugent has conceptualised as an emerging “labour-environmentalism”. This captures not only the formation of labour–environmental alliances, but “also the attempts by unions to develop environmental policies, ... to engage in internal member education and mobilization around environmental issues” (Nugent, 2011: 59). In South Africa embryonic linkages between the labour and environmental movements are evident in increasing cooperation in research, on policy issues and in two examples of joint action: the Climate Jobs Campaign and the recent campaign against increased electricity prices.
3. Focusing on concrete issues which resonate with people’s everyday experience. For example, the food crisis could unite a broad range of social forces. As Susan George (2010: 111) writes, “Food stands squarely at the crossroads of the ecological, social and economic/financial crises and provides a graphic example of how they reinforce each other”.
4. Supporting the cooperative social forms involving relations of mutual sharing, support, reciprocity and cooperation. Food sovereignty projects, democratic trade unions, worker-run factories, cooperatives, land occupations, community-owned energy, locally managed schools, and community-controlled media, for example, are the building blocks for an eco-socialist transition. They are demonstrating an alternative paradigm, a different relationship both between human beings and between human beings and nature – what Hilary Wainwright (2014) calls “power as transformative capacity”.
5. Providing more occasions like workshops and seminars to bring us together to develop the outlines of a just transition to a democratic eco-socialist society and to enhance our collective strength.

## Conclusion

The crucial question is: who controls the transition away from the fossil fuel regime and who will benefit? The fossil fuel industry is very powerful, and what the transition to a low-carbon economy involves,

in the EU as in other highly industrialized countries, is not green growth, but a drastic retrenchment or even a shutdown of many industries. ... [This] would demand, among others, a confrontation with the fossil fuel industries as the most important (but not the only) obstacle preventing a ‘just transition’ towards a sustainable development paradigm (Mahnkhof, 2014: 16).

However, an understanding of a just transition as simply limited to the goal of a low-carbon economy could mean the expansion of the present privatised renewable energy programme in which electricity



becomes totally unaffordable for the mass of working people. “Renewable energy at the service of capital accumulation could result in even harsher patterns of displacement and appropriation of land than those brought about by other forms of energy” (Abrahamsky, 2012: 349). Without the social ownership and democratic control of production, exploitation will continue. The call of environmentalists for the reduction of consumption could mean the simplification of middle-class lifestyles, reducing waste, extravagance and ostentation, but deep-seated inequality would remain.

Perhaps “the deepest shadow that hangs over us ... is the internalized fatalism that holds there is no possible alternative to capital’s world order” (Kelly and Malone, 2006: 116). For this reason we need a new imaginary – “an imagination which has an altogether different understanding of what constitutes happiness and fulfilment” (Arundhati Roy, quoted by Klein, 2014: 291). David Harvey (2012: 225) writes, “While nothing is certain, it could be that where we are now is only the beginning of a prolonged shake-out in which the question of grand and far-reaching alternatives will gradually bubble up to the surface in one part of the world or another”.

A transformative understanding of a just transition could contain the embryo of a very different order. For example:

- Production could be socially owned and democratically controlled.
- Health and education could be decommodified.
- The localisation of food production in the shift from carbon-intensive industrial agriculture to agro-ecology could promote not only cooperatives and more communal living, but also a more direct sense of connection to nature.
- The mass roll out of renewable energy could mean decentralised, socially owned energy with much greater potential for democratic control.
- The reduction of consumption could mean the simplification of middle-class lifestyles, with reduced waste, extravagance and ostentation.
- The shift to public transport could reduce the reliance on private motor cars as symbols of power and freedom.
- More sharing of resources in more collective social forms could erode the individualism which is a mark of neo-liberal capitalism.
- The shift towards a more appreciative use of natural resources could reduce the alienation from nature of many urban inhabitants.
- The values of sharing, simplicity, solidarity and more mindful living could spread.

In the last century Rosa Luxemburg posed the future as a choice between socialism and barbarism. Now there is another choice to the one Luxemburg posed: the future is a choice between eco-socialism or ecological collapse.

## Points for Discussion

### Education

How much effort should trade unions put into education on the climate crisis?

### Significance

- Is a “just transition” a priority for trade unions?
- What should trade unions advocate?
  - Resistance? If so, how can we challenge the destructive power of the fossil fuel corporations?
  - An alternative vision of the future? If so, what are the three most important characteristics of the future you would like to see?

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# Chapter 6: Conclusion

Towards a Movement of the  
Dispossessed?

Rob Lambert

***What would happen if an anti-capitalist movement were constituted out of a broad alliance of the discontented, the alienated, the deprived and the dispossessed? (Harvey, 2010: 240).***

## Political Imagination

As this booklet demonstrates, building an alternative to neo-liberalism represents an extraordinary challenge. The central focus of this challenge is captured in the question posed in Brecht's *Rice Song*:

Do I know what a person is?  
Do I know who knows it?  
I don't know what a person is,  
I only know his (her) price (quoted in Arendt, 1973: 239).

Constructing a new model of work, economy and society which advances the innate value of persons and their right to secure work would need to be a central purpose of the movement to which Harvey alludes. This conclusion speculates on the possible character and form of such a movement. We consider the strategic choices needed to build a movement of the dispossessed at this historical juncture, where endeavours such as the Occupy Movement appear only for a fleeting moment before partially dissolving in the face of the power of the dominant neo-liberal routines of economy and society.<sup>19</sup>

## Imagining an Alternative Movement

Resistance – power mobilised within economy and society – is weak and uneven relative to the synchronised force of global corporations and the state. Citizens have a basic right to a secure existence. The predicament of insecurity exists because a thinking, engaged culture is being marginalised by the globally dominant market ideology. In the absence of a movement option, anxious, insecure, dispossessed classes in society slide into passive fatalism. Individualised, adaptive responses are deemed the only realistic choice. Buffeted by multiple crises, where is “the optimism of the will” discovered? How will a new movement be forged (Burawoy, 2003: 203)? A battle for ideas over the kind of movement with potential to challenge neo-liberalism is the starting point for developing such a will. Harvey (2010: 240) triggered such a process when he called for a movement of the dispossessed. Building on this, we stretch our political imagination as to the nature of such a movement and strategies to build such a force. This demands utopian thinking in the sense of moving from an analysis of what is to what ought to be, where the movement is advanced as the means to transform neo-liberalism. This battle for ideas begins with a series of interdependent questions – What is the character of a movement of the dispossessed? What alternative to neo-liberal globalisation could such a movement advance? Who will build this active society? And finally, what new forms of power can be deployed in this struggle for a fundamental transformation of neo-liberal economy, politics and society? To begin this journey, we need to summarise the elements of twenty-first century dispossession.

For Marx, primitive accumulation, which occurred during capitalist pre-history, was a process of the violent dispossession of a whole class from control over the means of production. Harvey questions this

19. Although Occupy appears to have disappeared from public view, Epstein (2012: 63) points out that Occupy activists have continued to demonstrate against banks and corporations, foreclosures and evictions and student fee increases, as well as mobilising support for labour strikes. However, these scattered actions are still far from becoming a “movement of the dispossessed” for which Harvey argues.

interpretation, arguing that there is a continuity of primitive accumulation throughout the historical geography of capitalism. Following the post 1970s turn to neo-liberalism, accumulation by dispossession became a prominent feature of market society. The main elements driving this process are:

- Free trade and investment has accelerated the centralisation and concentration of capital through ceaseless mergers and acquisitions, thereby producing a relatively small number of giant global corporations with power over the state and politics.
- These corporations exploit the uneven geography of capitalism, creating global production platforms in the cheap labour zones of the global economy. This relocation of production leads to widespread job loss (dispossession of the means of existence) in the developed spheres of the global economy, thereby moving from one form of uneven development to another.
- The hegemony of finance capital reflects the spatial freedom of finance, characterised by a high degree of speculation which led to the 2008 global financial crisis and a wildfire of dispossession as citizens were stripped of their jobs and homes. Remarkably, speculative products such as Credit Default Options, which were at the epicentre of the crisis, are still being traded. The changing architecture of financial markets through the rise of institutions such as private equity has increased the scope and level of dispossession because such entities have become the major short-term owners of companies as they acquire, restructure and sell. These companies have the potential to make astronomical gains (20–25 per cent rate of return) through these interventions, with the biggest private equity companies promising investors a staggering 40 per cent return.
- With privatisation of earth, forest, water and air, nature is degraded into commodities. This is “a process of barbaric dispossession on a scale that has no parallel in history” (Harvey, 2007: 45). The Intergovernmental Panel on Climate Change (IPCC) has warned that we have only fifteen years left to avoid exceeding the “safe” threshold of two degree Centigrade rise in global temperatures, beyond which the consequences are likely to be cataclysmic. They warn of an increase in sea levels, an increase in cyclones and storms, and severe impacts on food production. In this process societies across the globe are being dispossessed of the earth itself.
- Ceaseless work restructuring creates job loss, which is a key facet of dispossession. Workers live in fear, for when they lose their jobs they lose their capacity to provide the means of existence for their families. Stripped of this capacity, their lives are shaped by dispossession. While pre-capitalist dispossession was characterised by physical violence, restructuring is engineered through psychological violence (see Table 6.1).

**Table 6.1 Characteristics of Pre-capitalist and Neo-liberal Dispossession**

Pre-capitalist dispossession	Neo-liberal dispossession
Stripped of the means of production	Free trade and investment; global financial crisis; work restructuring; job loss; stripped of the means of existence. The destruction of the earth.
Physical violence	Psychological violence: fear and anxiety, often leading to substance abuse and family breakdown.

These features of capitalist accumulation under neo-liberalism define the nature and scope of a movement of the dispossessed. Such a movement aims to organise, mobilise and represent all who are adversely affected by these elements of neo-liberalism, giving voice to those who have been dispossessed. There is a potential for workers who still possess a job to find purpose in this movement for their work contracts offer scant protection from dispossession. The cardinal challenge in constructing such

a movement is linking the trade union movement with movements beyond the workplace which are committed to challenging the logic of neo-liberalism. Past experience reveals that this strategic choice is far from being realised, hence the need to analyse the constraints which block this venture. The brief rise of the Occupy Movement highlighted the seemingly intractable problems preventing a creative linkage between unions and anti-neo-liberal social movements. Unless this is addressed, such a broad-based movement will never emerge. Instead, the lives of citizens everywhere will be marked by ever-deepening, recurring crises in the economy and in society. These crises cannot be resolved through the market, because the cause of the crisis cannot be a solution to the crisis and the profound insecurity now being experienced by an overwhelming majority of societies across the globe. The Occupy movement which arose in Wall Street, Spain and Greece provided a glimmer of insight of the mobilisation potential of the dispossessed. This movement posed critical questions for the trade union movement, which was largely absent from these movements.

Unions in the Global North were disconnected from the Occupy social uprisings because there was an absence of an alternative political vision and the practical mechanisms to fight for political change. Consequently, workers and their families found

...individualized ways of getting through that reshaped working-class consciousness and contributed to the reproduction of the neoliberal ethos.... credit cards became ubiquitous, families increased their debt loads.... stock markets were anxiously watched for their impact on pensions; tax cuts were welcomed as the equivalent of wage hikes. Intensive competition and worker dependence on 'their' corporations weakened class solidarities.... Economic restructuring, in forcing relocation in search for jobs, broke up working class communities. Solidarity faded where the world of persons dissolved into a world of atomized individuals (Gindin, 2012: 30).

The persistence of workplace restructuring created a precariousness existence.

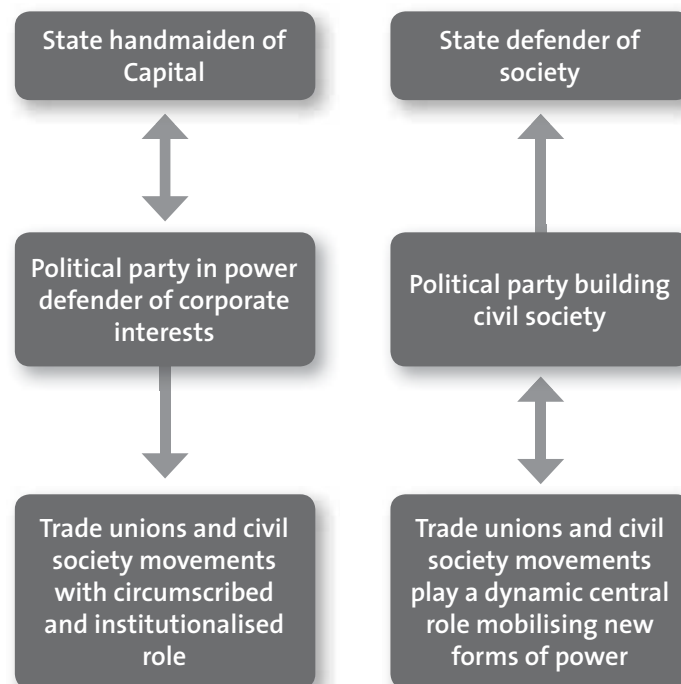
We now move beyond this bleak prognosis of the movement potential of Northern unions to consider unions in the Global South. Leaving aside those unions in this economic zone which were constructed and controlled by authoritarian states across Asia alongside company unionism, the rise of democratic unions in countries such as South Korea, India, South Africa, Brazil and Argentina has provided a global organisational base in union federations committed to an intensive struggle against the key elements of neo-liberalism. India and South Korea are at the forefront of mass protest actions against privatisations, free trade agreements, the financial crisis and the introduction of precarious work contracts. The emergence of the Southern Initiative on Globalisation and Trade Union Rights (SIGTUR) after 1990 has provided an opportunity to consolidate an anti-neo-liberal position in a world which ridicules any attempt to challenge the hegemony of free market ideology and practice. A significant initiative has emerged within this new labour internationalism with the formation of a Futures Commission, a structure which brings together progressive intellectuals from the Global South and leaders of the key democratic unions within SIGTUR in an intellectual endeavour to imagine and create an alternative to neo-liberalism. Such a political position poses specific, practical political challenges. These include global campaigns around the following four themes, covered by the contributions in this booklet:

- labour and tax justice, endeavouring to ensure that transnational corporations pay their taxes;
- a fair trade regime which includes a national policy space allowing countries to develop their own industrialisation strategies, and is based on the principles of food sovereignty, resource sovereignty and self-determination;
- democracy-driven, public sector transformation as alternative to privatisation; and
- in response to the climate crisis, a proposal for a just transition from fossil-fuel capitalism towards an eco-socialist future as alternative to capitalist concepts of a green economy.



The aim in advancing these campaign ideas is to set in motion a process envisaging an alternative to neo-liberalism, a process of once again building confidence that independent thinking is possible, that Thatcher’s claim that “there is no alternative” can be broken by a renewed confidence of citizens trapped in the daily struggles shaped by neo-liberalism. However, without a new kind of movement there will be no alternative thinking and no campaigns driving the change step by step by ordering the above issues into immediate demands. For example, demanding an end to tax havens as well as a tax on share transactions is already alive and receiving consideration in the more thoughtful press (*The Guardian Weekly*, 12–18 April 2013: 1). This vision cannot be promoted and materialised in policy without the creation of a movement of the dispossessed with the capacity to build these alternatives.

While we advance an argument that such a movement could be triggered from the Global South, we also recognise the contradictions and critical weaknesses currently being exposed in the unions in the south. Over the past decade, with the exception of union movements in Argentina, India and South Korea, there has been a notable decline in organic connections and common campaigns with civil society and environmental movements, particularly in South Africa and Brazil. The Congress of South African Trade Unions (COSATU), which played such a vital role in the anti-apartheid struggle through forging alliances with the African National Congress (ANC) and other progressive forces in civil society, is currently threatened by deep internal divisions over how unions should position themselves in relation to the ANC. The relationships with civil society organisations are practically invisible. The Central Unica Dos Trabalhadores (CUT), a Brazilian trade union federation, played a key role in forging societal alliances which defeated a powerful military regime in the early 1980s. CUT is closely aligned with the Workers Party and currently finds itself surrounded by street protests over transport costs and the massive expenditure on infrastructure for soccer’s World Cup. The prospects of a new kind of movement emerging in the Global South is therefore uneven. COSATU and CUT are salutary examples of progressive unionism becoming derailed by their close relationship with political parties once on the side of society against brutally regimes; now these same parties in power are the advocates of neo-liberalism and the extreme work insecurity this policy creates. Given the problematic character of this political party relationship, there is a value in introducing a debate on the nature and role of political parties stimulated by the global financial crisis (see Figure 6.1).



**Figure 6.1 The Relationship between Political Party, Movement and State**

## Rethinking the Relationship between Political Party, Movement and the State

As argued above, social democratic parties assert a strict delineation of boundaries on the role of trade unions and civil society movements. The party decides economic policy. In the current era this has resulted in an unshakable commitment to neo-liberal restructuring. The trade union role is limited to bargaining on wages and conditions, and there is no scope for civil society movements to play a role. This segregation of roles has muted the unions and given corporations and finance capital a free rein.

A different set of relations between party, unions and social movements is needed, in which the basic role of the party is to build the strength of a movement of the dispossessed so that society has the capacity to mobilise to protect its needs. Such a movement could contribute to the struggles against free trade, privatisations and corporate tax havens analysed in this book.

We hope that this collection of chapters will become integrated into the agenda of the progressive union movement.

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