

FACT SHEET



THE GLOBAL ECONOMY

There's a depressing similarity to what's happening in countries across the globe. There is a pattern of economic activity that is promoting greater and greater inequality not just between nations but within them. Growing economic inequality is creating a climate of increasing violence and unrest. Unless current trends are turned around, the future for millions of the world's population is appalling.

We are living in a time when business is favoured over labour, where corporate interests are favoured over the interests of people and the societies in which they live. Over the past 25 years, the balance has shifted dramatically in favour of corporate interests away from the good of society.

Today, multinational corporations are effectively on their way to ruling the world. Whether in democratic countries or those run by dictatorships, corporations are aided and abetted by governments beholden to business interests. Even democratically elected governments don't hesitate to regularly promote corporate interests ahead of the citizens they're supposed to represent.

Free trade agreements, negotiated by these willing governments, seek to remove what business describes as unnecessary constraints on their ability to make a profit. For example, government regulations designed to protect citizens from market forces are considered unnecessary constraints. Public services which are designed to equalize benefits for all citizens are also

considered unnecessary constraints. Both get in the way of making a profit.

In developed countries, multinational corporations are making every effort to increase profits by putting the pressure on government to privatize any and all public services, including public utilities, in order to open up new avenues for profit.

In developing countries, corporations are urging governments to resist calls to establish public services and threatening fragile services where they exist. Corporations prefer insecure workers. They get them in the absence of public services and social safety nets.

Institutions such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) are all making it easy for corporations to get what they want. And the effect they are having in many countries is absolutely devastating.

When making loans to countries, there are strings attached by the World Bank and the IMF. These strings involve structural adjustment programs - adjustments that will favour corporations, not local populations. Demands are regularly made to open up public services to corporations through privatization. Once these loans are made, countries are virtually doomed.

In Columbia, for example, 42% of the country's budget is used to service the debt. Another 30% supports the police and the military. Small wonder there is little left over for essential services such as health and education. With 60% of the population living in poverty, it is no wonder Columbian society is breaking down. Even officials at

the World Bank now admit that economic inequality is the greatest threat to security in South America.

And Columbia is just one example. The same story is repeated over and over again as countries are indebted to the countries providing the loans. In the last 20 years, Brazil has paid \$550-billion just in interest on World Bank loans. This global loan-sharking has resulted in daily war in Brazil's cities with poverty and hunger rampant and unemployment described as a festering wound. But, when debt repayment is a priority, public services and economic equality can't be sustained. Governments end up selling the welfare of their citizens to maintain the welfare of the World Bank and IMF and the rich developed countries who provide the loans.

But the tide may be turning. Recent financial disasters and the collapse of large corporations such as Enron and WorldCom, which have left thousands of workers without jobs and many thousands more without retirement income, have exposed the true

nature of these corporations. Corrupt corporate practices and corporate fraud are being exposed as are the huge personal gains made by a handful of corporate Chief Executive Officers (CEOs).

Faith in the almighty corporation may be starting to crumble. And, experiences with privatization are demonstrating repeatedly that turning vital services and resources over to the private sector only results in declining quality of service, inequality of access, loss of control and accountability and higher prices.

More and more people are coming to understand that there is a vital link between public services and social justice. Quality public services provide the foundation for better communities and are the building blocks of sustainable development. We can and must have a world where justice, respect for law and human rights, including trade union rights, are the norm and not the exception if we are to survive.

(Sources: PSI World Congress 2002)

