
Prof. Hans Köchler

The End of Neoliberal Globalization

Prof. Köchler is president of the International Progress Organization, a UN non-governmental organization in Vienna, Austria. He gave this speech to the Schiller Institute Conference on Feb. 21.

Mr. LaRouche, Mrs. Zepp-LaRouche, Ladies and Gentlemen. The topic I have chosen for this presentation is “The ‘New International Economic Order’ Revisited: Philosophical Considerations on the Collapse of Neo-Liberal Globalization.”

Let me begin with a brief historical note, looking back a few decades, only. On the 1st of May 1974, the General Assembly of the United Nations, in its sixth special session, adopted what is called “The Declaration on the Establishment of a New International Economic Order.” That was more than three decades ago. Special emphasis was made in this Declaration—and that links up to what Mr. LaRouche said in his keynote speech—special emphasis was given to the *sovereign equality of the state*. The Declaration emphasized, as a basic principle of a *just economic order*, the following, and I quote, briefly: “full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest” — and that’s important—“common interest of all countries.” End of quote from the Declaration. And the member-states of the United Nations at that time also emphasized “full, permanent sovereignty of every state, over its natural resources and all economic activities.” That is stated in paragraph 4(e) of the Declaration.

The General Assembly subsequently adopted, at the same session, a “program of action” concerning the international economy, and one chapter, also, concerning the international monetary system. And, [given] the present situation, and the situation we find ourselves in, it may be of interest to recall some of these points made by the United Nations General Assembly. First of all, the member-states spoke, or demanded, measures—and I quote—“to eliminate the instability of the interna-

tional monetary system, in particular, the uncertainty of the exchange rates.” And the second point I would like to mention here, was their emphasis, the member-states’ emphasis, on the maintenance of the real value of the currency reserves of the developing countries. And in that regard, they called—and let’s be clear, that was in 1974—for the creation of international liquidity through international multilateral mechanisms.

In a meeting of experts on this idea of, or vision of, a new international economic order, which the International Progress Organization, the NGO which I represent, organized in Vienna in April of the year 1979, our experts emphasized the principle of what we called “mutual economic responsibility, at the international level, and the need of shifting the emphasis” as far as the value system is concerned, “of shifting the emphasis from having to being, and from consumption to quality of life.” In general, we have demanded at this meeting in ’79, that the economy be founded on ethical principles.

The Cancún Summit

Regrettably, in the more than three decades that have passed, since this United Nations initiative, the development of the global economy, went in the opposite direction. I think that’s quite obvious. The vision of the UN General Assembly of a new international economic order—let’s just recall it that—was effectively rejected by the industrialized countries at the Cancún Summit—“summit held in Cancún in Mexico—a summit of 22 world leaders, including leaders from 14 developing countries. That summit was held in October 1981. And I should recall here the leading role of the United States delegation under President Ronald Reagan as far as the rejection of the demands of the developing countries was concerned. So this whole idea and notion of a new international economic order was effectively buried at that time, in ’81.

Since that moment—that’s how I see it—the neoliberal project of globalization went on, with ever-increasing ideological zeal, in spite of the warnings and protests of many Third World leaders at the time—and I do recall that Mr. LaRouche was one of those international personalities who were very critical of this tendency, and who was at the time, in contact, also, with several leaders from the developing world, something which was not very positively viewed in the United States, at the time; but which has, in the meantime, proven to be exactly the right attitude.



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Prof. Hans Köchler called on “leaders and citizens who are committed to the Common Good,” to do “everything in their power” to bring to an end the global casino, with its “repeating cycles of greed.”

As far as the ideology, as I call it, the ideology of globalization is concerned, I would like to make the following remarks, or give the following characterization. What we have witnessed developing in these decades, since the beginning of the 1970s, is an almost *crazy*—as I say, a crazy belief in a kind of financial *perpetuum mobile*. That means, an assumption as if wealth can be created by means of financial transactions, or so-called financial instruments, alone. And that was due to certain attitudes which include, for instance, that regulatory mechanisms have been weakened, or completely given up, in the name of economic liberalization. And one should recall here, the infamous role of the U.S. Federal Reserve chief Alan Greenspan at the time.

What I also would like to mention here, is that the regulatory authority of the nation-state has been completely eroded in favor of what was, and still is called, “the free flow” not only of commodities, but of *money*, *beyond borders*. And all of this has been idolized by the slogan of globalization. And the World Economic

Forum in Davos has been one of the ideological tools, to promote that ideology of globalization.

However, instead of a new world order, one that was, for instance, proclaimed by U.S. President George Bush, father, in 1991, in the U.S. Congress—instead of this, a state of global disorder has eventually been brought about, as a result of the abdication of the state’s sovereignty over economic and financial policies. And the state had to give way to powerful, but completely unaccountable, vested interests, at the transnational level. Under this slogan of globalization, the cycle of greed in which the economy got entangled, has brought about a systemic crisis of the entire system of international relations, and not only of the system of international economic exchange.

The neoliberal advocates, or the advocates of the neoliberal ideology, still insist on addressing this crisis by way of dealing with its symptoms only. And they do engage, as far as I can see, in a rather stubborn denial of reality, when it comes to the identification of the real causes for the collapse of globalization: Namely, its exclusion, not only of geographical, but of moral or ethical boundaries, that have to structure or govern economic activity.

Money: No Intrinsic Value

And let me just recall briefly some basic philosophical principles, in that regard: I think the time has come to reconsider those basic principles of finance that have been outlined almost two and half millennia ago, in the era of Classical Greek philosophy. Mr. LaRouche already hinted at that in his speech when he said that “money has no intrinsic value.” It does not have a natural value, it is not a commodity like others. Its value is determined by the human beings, by the governments, by means of conventions, so to speak, by agreement, or in Greek, the term is *nomos*, through a determination, through a rule, and, for that reason—that was something Aristotle has made us aware of—one does not have to agree with him on everything. And I certainly do not agree with him on what he said about the ideas and the status of ideas. But he made us aware of the etymology of the Greek term for money, namely: *nomisma*. And that means, because its value is determined by the human being, through regulations, *nomos*, *nomos* is the name for law.

That means money is the means that enables the exchange of goods, because it allows us to measure the value of goods. It ensures the commensurability of the

goods we want to exchange. And, if this, one could now say—playing with the etymology of the Greek term for money *nomisma*—if this numismatic character of money is overlooked, currencies are traded as if they were commodities. International currency speculation as a means to general wealth by artificial methods has indeed been one of the causes of the global financial crisis, as we all know by now.

Furthermore, the value of money, that means, the value of each currency, is to be rooted in the wealth represented by the real economy: *There can be no abstract value of money, itself*. If this basic fact is systematically overlooked or ignored, financial speculation will thrive, and so-called financial instruments will be created to generate wealth in a fictitious and illusionary manner.

In actual fact, these are all merely artificial transactions, if they are not embedded in value-generating real economic activities. This, in my view, is the reason why wealth generation by means of financial instruments alone, just to name trading in currencies, stocks, futures and so on, is often in the nature of a pyramid game. The pyramid will inevitably collapse at the very moment when the real economy demands its right, and people lose confidence in the myth of wealth creation through speculation, a development which suddenly stops the cycle by which ever new amounts of liquidity are being provided.

In my view, it is important to be aware of, or to stress, the intrinsically unethical, or amoral, nature of financial speculation, whether it's currency, stocks, futures. In this way, wealth, artificial wealth of course, is created at the expense of others, who are effectively expropriated in the course of the inevitable collapse of the system, which we witnessing right now.

Recalling the emphasis the Greek philosopher has made on the unnatural form of the creation of wealth through artificial financial transactions, one should also be aware of the famous dictum in *Politica* Book I, part 10, where a procedure is being condemned through which someone makes a gain, and I quote: “makes a gain out of money itself, and not from the natural object of it.” That is a real, I would say, clear-minded, 2,500-years-old clear reminder of the importance of the *real* economy. That is a verdict, not only as it was in that context at the time on taking interest on money, but it does also apply, as far as I can see, to financial speculation in general. It does apply to the unproductive nature of this kind of quasi-economic activity. And let's just recall the other formulations coined in that treatise,

namely, of the birth of money from money, of the breeding of money, as the most unnatural form of getting, of acquiring wealth.

Globalization: No Moral Boundaries

And that brings me to the final, third part of my presentation: The time has come to revisit the age-old insights of Greek philosophy, into the nature of money as a means to determine the value of goods; to make those goods comparable and thus allow economic exchange; and also, into the ethical principles that govern this activity. If it is said, that globalization—that's a common dictum nowadays—that globalization has or knows no boundaries, we also have to be aware that globalization as it is being idolized, has not only no geographical limits; it is often understood as having *no moral boundaries*.

And because of this, we are confronted, at the present point in time, as has been said at the beginning, with a systemic crisis of epic dimensions. In my view, one of the basic reasons is that the moral rules of economic behavior have been systemically ignored, and even rejected.

For that reason, the time has come to reflect upon the principles of economic activity in general. And one will have to reconsider, also, the ideas which link finance to the real economy, namely to the manufacturing of goods, and one will have to seize this opportunity for propagating the creation of a genuine *new* international economic order, that is based not on the myth—what I call the myth of globalization and the philosophy of greed—but on the principles of wealth-creation that are oriented, as Mr. LaRouche has emphasized at the beginning, at the *bonum commune*, that is, the common good.

This implies, and these are just a few points I make here: Acknowledging the regulatory authority of the state, as an integral part of the exercise of the state's sovereignty. It also implies the establishment of regulatory mechanisms at the international level, by means of inter-governmental agreements—that means, agreements concluded on the basis of sovereign equality. It also means the banning of patently unethical practices, practices that resemble, in my view, the rationale or the logic of gambling, rather than of serious economic activity—and this is a non-exhaustive list of examples which I give here: I mean, for instance, the practice of so-called short-selling of stocks; I mean everything related to the derivatives market, currency speculation, in general, all practices that are based on generating individual wealth by triggering the devaluation of curren-

cies, stocks, etc. I mean making gain—systematically and deliberately making gain—by speculating with the losses of others, or through robbing others, expropriating others. And, of course, not to be forgotten, are all transactions that are based on the rationale of betting, that means, all forms of financial betting, which are still considered by many financiers as a legitimate form of their activity.

Shut the Global Casino!

What we witness, at this point in time, is the bankruptcy of globalization, as the epitome of neo-liberal ideology. Unexpected, apparently—at least that's what they say—unexpected by the neoliberal ideologues, globalization has by now shown its real nature. It has been proven to be an illusion of wealth, driven by individual greed. As such, the doctrine of globalization, I would say, is essentially irrational. The belief in the miracle of wealth-creation by means of unregulated, borderless, economic exchanges, has all the characteristics of hysteria, even.

It is an undeniable fact that we live in an ever-more interconnected world. The course of history, and the development particularly of technology, cannot be reversed.

However, under these circumstances, it is of utmost importance that leaders and citizens, who are committed to the Common Good, take everything in their power to arrest or to bring to an end, the repeating cycles of greed, which have ruined the lives of so many generations, indeed, millions of people, in the course of the economic activity in the last few hundred years. The global casino, into which the unregulated financial markets have degenerated, has to be shut, once and for all! And it has to be shut by the joint action of the sovereign states as the principal actors of international affairs, and thus, of guarantors of the global order. Only such a bold step will make possible the establishment of what—and this brings me back just to my first sentence—of what the United Nations member-states had characterized as “a just new world order,” an order in which all nations can conduct their economic affairs, and engage in economic exchange on the basis of sovereign equality. This was the original idea behind the resolution of the Special Session of the General Assembly in 1974, and I guess, or I submit to you, in view of today's global crisis, this deserves further careful consideration. It deserves to be reconsidered, revisited.

And with this, I thank you for your attention.

Prof. Norton Mezvinsky

Prospects for Peace In Southwest Asia

Dr. Mezvinsky is a professor of history at Central Connecticut State University. His most recent book is Jewish Fundamentalism in Israel (1999, 2004), co-authored with the late Israel Shahak. He addressed the Schiller Institute conference on Feb. 22. The full title of his speech was “The Perspective of the Obama Administration for Peace in Southwest Asia.” Subheads have been added.

I want to begin by thanking Helga Zepp-LaRouche, Lyndon LaRouche, and others in the LaRouche grouping for inviting me to be with and to speak with all of you at this conference.

I shall limit my discussion to the Israeli-Palestinian conflict, the heart of the Arab-Israeli conflict. This conflict, of course, is only one of the conflicts in Southwest Asia-North Africa, the geographically correct term for the area that encompasses what is popularly designated as the Middle East. The world economic crisis, upon which this conference primarily focuses, may already be affecting, and in the near future will almost certainly affect in some ways, the topic of my discussion. Although in my remarks I shall discuss aspects of the political, cultural, and national character of the Israeli-Palestinian conflict, I realize, as I have already stated, that economic factors are important and that the present crisis may be one of the factors that will prevent the kind of economic aid to help people in need and to rebuild infrastructure, especially for those who have been and are being oppressed.

From another, related perspective, failure to resolve peacefully the Israeli-Palestinian conflict within a reasonably brief period of time could result in an expansion of conflict and war in the area, e.g., conflict between Israel and Iran, which in turn could threaten economically and militarily the rest of the world.

In yesterday's discussion, national sovereignty was addressed in a number of ways. National sovereignty is an important consideration for the Israeli-Palestinian