THE BRANDT COMMISSION AND THE MULTINATIONALS

PLANETARY PERSPECTIVES

Bo Stråth

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as communicating vessels operating in the opposite direction of top-down redistribution. The key to confront the prevailing dynamics is to confront the ideology about competition, which is argued to lead to efficiency, which, in turn, has one sole gauge called profit. Why is efficiency measured in economic terms as profit? What about social efficiency? Resource efficiency? Environment efficiency? And, if we stay with economic efficiency as profit, to whom do the profits belong? Is there any idea of redistribution? The Brandt Commission touched upon these questions but could not see them in the clarity in which they appear half a century later. They had clear ideas about global redistribution of resources and profits, but these ideas lost out to stronger forces that were being mobilised at the time, forces guided by the competition ideology. It is an argument here that it is urgent to re-address the questions again instead of circumventing them.

The dollar and the unfettering of monetary and financial markets

In no other area than in global financial and monetary issues was neoliberal's triumph so distinct and devastating. After being well regulated through international agreements during the Keynesian era, financial markets were more deregulated than any other. In the 1990s, deregulation became the word of the day. Neoliberalism's prime target was the financial markets – its target and its fall, one might say with the benefit of hindsight.

Before the explicit and ever-accelerating unfettering of the financial markets and the disembedding of them from the national framework in the 1990s, the dollar, despite having been unpegged from gold, continued to be the standard against which other currencies were measured, irrespective of whether they were a deficit or surplus currency, and irrespective of whether the American government pursued inflationary or deflationary policies. The United States continued to claim that the dollar remained a hard currency even though it had been floating since 1973. It could do so only because there was no viable alternative, and so it continued as if nothing had happened. In the Bretton Woods order, the United States was the major creditor nation. In 1975, it became the world's largest debtor, but unlike other debtors, it did not forfeit its autonomy. After the suspension of convertibility to gold, the United States transformed its balance-of-payments deficit into what can only be described as a tax on the rest of the world. Exporters to the United States would be paid with American paper promises to pay at some future date, with low rates of interest and at a declining value because of inflation. The United States was colonising the monetary system of the world. The countries trading in dollars adjusted their economies to the American payments deficit and did not develop an alternative to the dollar. They stuck to their belief in the dollar as the safest currency for global monetary transactions. They used their financial dollar assets to buy American Treasury bonds which financed the American payments deficit,

which, in turn, maintained inflation[25]. The Brandt Commission had a very different proposal for a redistributive global financial order, as we will see in Chapter 8. However, the market-liberal wave at the time of the proposal swept it off the political agenda.

The experiences of stagflation culminated in the so-called "Volcker shock" in 1979. The shock offered an opportunity to weaken national governments and pave the way for the advance of radical market liberalism. Years of stagflation (i.e., high unemployment together with high inflation) maintained pressure on the dollar even after it had abandoned the gold standard. In 1979, the dollar measured against gold was in a state of more or less free-fall. The President of the Federal Reserve, Paul Volcker, reacted by imposing a dramatic rise in interest rates which suddenly made dollar loans much more expensive. This move was a blow to countries in the poor South and the NIEO, forcing them onto the defensive. Next, the democratic Carter administration abandoned Keynesianism and embraced Milton Friedman's monetary theory. Higher interest rates made debt repayment more expensive. Monetarism stopped Keynesianism in its tracks. Before Volcker's actions, against the backdrop of stagflation and several currency crises, British Prime Minister James Callaghan had toyed with various alternatives to Keynesianism. In 1976, he was forced to ask the IMF for help in stabilizing a plummeting sterling. The IMF demanded austerity as the condition of the loan. Keynesian spending out of the recession was no longer an option, Callaghan concluded. Along with many other commentators, Keynes' biographer Robert Skidelsky sees Callaghan's conclusion as the end of the Keynesian approach. In 1981, monetary austerity broke through in the United States under the label of Reaganomics, and internationally revealed itself in North/South relations under what at the end of the decade would be called the Washington Consensus. In 1981, François Mitterrand was elected as the French president on the back of a promise to fight recession and high unemployment with a costly Keynesian programme. Consequent budget deficits led to a falling franc, which in turn triggered a massive flight of capital. In 1983, Mitterrand threw in the towel and performed a policy U-turn.[26]

In the 1980s, under the Reagan administration, the United States was the world's largest debtor. Under the label of Reaganomics, it maintained employment and growth through federal budget deficits, by inflating its capital markets and decreasing its interest and exchange rates, while other countries in the system pursued deflationary austerity politics in the name of structural adjustment. The United States financed its payments and budget deficits by printing as many dollars as it needed. Growing dollar stocks, only guaranteed by the American government's promissory notes, deluged other nations' central banks. However, refusing to accept them would decimate the value of their own dollar reserves. These countries were tied to the dollar but could not, with their currencies, repeat the American confidence trick since they lacked the credibility the dollar enjoyed. Converted into foreign currencies, the dollar inflated the global economy. And now, since other countries were financing the American government's deficit, American investors were

free to put their money into ever more speculative products, like those invented in the financial and real estate markets.

In the Bretton Woods order, the United States was used to stepping in as a lender of last resort. In the new neoliberal order, it became the spender of first resort. Greek economist Yanis Varoufakis uses the metaphor of the Minotaur, the mythological bull with a voracious appetite. The rest of the world paid sacrificial tributes to abate the animal's hunger. The dollar continued as the standard for transactions on world markets, and the world was unconcerned by the fact that it lacked economic security. At first, the abandonment of the gold standard was an expression of American weakness, but on unfettered neoliberal financial markets, weakness became power. Michael Hudson, economist writing on imperialism and the NIEO in the 1970s, explains the transformation using an American proverb, that if a borrower has a five thousand dollar debt to his bank and cannot pay, he is in trouble, but if he owes the bank five million, the bank is in trouble.[27] The dance around the golden calf became ever more ecstatic and the tributes ever more delirious until everything burst in 2008 when Lehman Brothers filed for bankruptcy, and, a few years later, Donald Trump spoke for the disaffected workers in the rust-belt when he attacked Silicon Valley.[28]

While the rest of the world nurtured the Minotaur with dollars, China, developed a different strategy. Through a trade surplus, it transformed Maoism into state capitalism using a buildup of colossal dollar deposits. A kind of financial Cold War emerged between China, which became ever more powerful, and the United States, which became seemingly vulnerable (despite the influx of Minotaur-feeding capital). But only seemingly, because China's power was wafer thin. It found itself in the same situation as the Bretton Woods countries in 1971. In both cases, accumulated dollar stocks were dependent on the United States' capacity to redeem them, but open mistrust on this point only meant that the stocks would become worthless.

Euphoria based on a belief in permanent growth became endemic in the global financial industry. In early 2008, Josef Ackermann talked about a twenty-five percent annual yield as a realistic goal for his German bank, and the media hailed him a hero.[29] No industrial entrepreneur could even dream of such figures. The strange thing is that many in Germany and elsewhere persisted in this naïve belief even *after* the financial collapse later that year. Such faith had religious dimensions. The *Bankier* in Germany and the *banquier* in France used to be seen as respectable, key figures in the development of industrial capitalism. They stood for solidity when industrial capital expanded. For a short while in the 2000s, the English word "banker" became the preferred term. This preference changed after the crash in 2008 when all that was solid melted into the air (as Marx put it in the *Communist Manifesto*), and the word began to assume pariah status. In the end, the bankers' reputation damaged Ackermann, too.

Instead of wealth trickling down, precisely the opposite happened. The securitised derivatives market with its chain-letter principle triggered a

trickle-up effect. The securitisation of the poor's unsafe debts, by such means as converting sub-prime mortgages into collateralised debt obligations, made the initial lender indifferent to whether the loan could be repaid because the debt had already been sold to somebody else. These so-called securitised packages of debt were then sold and resold at a tremendous profit. Varoufakis characterises the resulting order thus: "The rich … had discovered an ingenious way of getting richer – by trading on paper assets packaging the dreams, aspiration and eventual desperation of the poorest in society."[30]

Before the crazed frenzy of 2007–8, the beast devoured more than 70% of global capital outflows and Wall Street created previously unimaginable values, which were nothing but bogus. The creation of values was the destruction of values. Tributes to the bull and confidence in its capacity to digest them – the belief in American ability to service its debts even after abandoning the gold standard – generated capital for speculation in ever-more complicated financial products. Wall Street led this development, but the entire global financial industry gravitated to it, as naïve hubris created confidence in a profoundly unstable system. According to Joseph Vogl, this development was very similar to the end of the Bretton Woods system.[31] It offered prospects of fluctuating exchange rates and monetary instability, as well as the possibility of demonstrating that the free play of financial markets followed reason and led to order. In the early 1950s, Milton Friedman, by then involved in the implementation of the Marshall Plan in Europe, suggested that the principles of Bretton Woods and fixed exchange rates for currency should be abandoned. He proposed instead establishing free currency markets where trade between buyers and purchasers settled the price. The idea was premature, but in October 1971, after the collapse of Bretton Woods, Friedman reiterated it.[32]

The new global trade regime and labour markets and the liberalisation of the global financial markets represented a transformation that took decades. The Brandt Commission couldn't possibly have known very much about it. But it shines a light on the difficulty the commission faced, being so unaware of the currents of the time. While the commission tried to steer in a Keynesian direction, enormous forces were about to pull the world the other way. However, hindsight is a wonderful thing. Looking back almost half a century from 2022, the commission's approach looks almost naïve. But of course hindsight cannot be the criterion for evaluating its work. The criterion must be the knowledge available at the time.

However, then a question arises about what relevance, if any, the commission has today. As we will see in Chapter 8, the commission had a proposal, very different from Friedman's, for a redistributive global payment order based on international taxes and the mechanism for achieving a balance between surplus and deficit countries. It would be neither subordinated to gold nor to American power. Today would have been very different had it been implemented. The question is whether its principles can

be retrieved and translated into today's global situation. If they can, then some kind of re-embedding of financial capitalism would be necessary, but this time at a planetary instead of a national level. The questions and challenges posed by the Brandt Commission are still with us.

Today's crisis is the consequence of the responses to the 1970s crisis. If the solution then had been looked for in Brandt's direction, the situation today might have been very different, but we will never know. However, the question is justified whether Brandt's thoughts might be worth some consideration in response to our time's crisis.

The trilateral commission and the road to low-intensity democracy

In 1975, Rockefeller's Trilateral Commission published a report on the crisis in democracy.[33] The Trilateral Commission was not what one would later call neoliberal, not with Milton Friedman and the Chicago economists as its academics and Ronald Reagan as its political leading man. In response to the global crisis, its approach was Keynesian, though on crucial points it deviated from Keynes and opened the door to radical market-liberal thought. The commission was as we saw in the previous chapter a kind of think tank for what became the Carter administration, which, from 1977 to 1980, ruled with a Keynesian approach. The Trilateral Commission's establishment occurred as a reaction to the Nixon administration's inflationary policies that had led to the collapse of the dollar. Rockefeller was concerned about Western Europe's reaction to the United States' woes. He feared nationalism and a collapse of confidence in NATO. The Democrats emphasised transatlantic unity in trade and foreign policy while doubting Kissinger's appeasement with China and the Soviet Union. As we saw in the previous chapter, they promoted the political scientist Zbigniew Brzezinski as an intellectual counterweight to Kissinger. Although they shared the demand-orientated approach of Keynes with their West European counterparts, they were unlike them in being less redistributive or state-orientated welfarists.

Brzezinski became the first president of the Trilateral Commission, and in 1977 he was made security advisor to Carter. Cyrus Vance (later Carter's foreign secretary), Harold Brown (defence minister), and Michael Blumenthal (secretary of the treasury) were other members of the Trilateral Commission. Yet others included Richard Cooper, economics professor, adherent to the growing interdependence school, designer of the Trilateral Commission's trade-political programme, and undersecretary of state from 1977, and Samuel Huntington, the Harvard political scientist who, in the 1990s, would write about the clash of civilisations as the successor of the Cold War. Huntington had been an advisor to the Johnson administration during the Vietnam war and, in 1977, became deputy foreign secretary. For the commission, he wrote about democracy, as we shall see.