

> **Ross Jackson:**

## A Silver Lining to Europe's Troubles



As we await the outcome of the four-month extension of the Greek credit arrangement with the Troika (EU, IMF, ECB), this is a good time to consider various possible scenarios. Indeed, I would like to outline the one scenario that has not been mentioned anywhere, as far as I know, but may well be the most satisfying for the Greeks in the long run. This scenario could well become an alternate strategy for a more humane solution to the raging economic crises suffered by Greece and many other countries.

I am talking about a complete exit not only from the euro, but from the European Union and the World Trade Organisation (WTO) as well; I am talking about the Greek finally taking back control of their country from foreign interests. This may not seem likely right now in the midst of negotiations, but if the Troika upholds its hard line, as I expect it will, it may well be the least painful option open to Greece, and the only way for Syriza to survive as a political party with a minimum of credibility.

Let me put the problem in a larger framework as one facing Europe as a whole, and indeed the entire world. It is caused by a failed, but still dominant, economic system – the neoliberal model – that is literally strangling the global middle classes for the benefit of the wealthiest 0.1%. This elite is sucking real value out of everyone else, using a system that EU political leaders continue to support even as it slowly but surely destroys the European welfare state.

Many of us have warned for years what would happen if we failed to take action. My book *Occupy World Street* is just one warning out of many. Mainstream media have been very sceptical about such warnings. However, now reality is starting to bite even those who until now have ignored the opponents of neoliberalism.

### WAKE-UP CALL

Let me mention a recent wake-up call given to my own country, Denmark. This was an “aha” experience for many middle class working families as well as the trade unions – like “oh, is that what you meant all along?”. The consequences hit all concerned suddenly and harshly and did so in their own backyard, so to speak.

Scandinavian Airlines System (SAS), an icon of Nordic pride and cooperation for decades, is now fighting for its life as foreign competitors – not bound by the same high standards of labour relations, liveable salaries, and quality and safety – undercut SAS prices by using a combination of

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tax evasion and employee exploitation in a period of high unemployment. For example, pilots and cabin employees are forced to take employment with daughter companies based in countries with no worker protection. They must work 60 to 70 hours per week for a minimal wage. They are also forced to pay for their own uniforms, pensions, etc.

In some cases, employees must become sole traders for tax reasons. One such low-cost airline, having forced all its pilots into a single daughter company, threatened to let that company go bankrupt if the pilots did not accept a further pay cut. In case they refused, the pilots were given the option of reapplying for their old jobs, albeit at a lower salary.

At some companies, employment conditions have deteriorated to such a degree that they have become akin to slavery. SAS is obliged to follow suit if it wishes to survive. The company took that course – with limited success – during its latest conflict with cabin personnel. It shocked the general public.

Mainstream media op-ed writers commented that the wages being offered were insufficient to actually live on in Scandinavia. The expression for this phenomenon is the “working poor” – people with fulltime jobs that cannot manage to make ends meet even while pursuing the most modest of lifestyles.

The trend started in the USA and is now common in Germany and Southern Europe. It is a bit of a shock to Scandinavians, who are experiencing the working poor phenomenon for the first time. All the big network airlines are facing the same issue as are other industries.

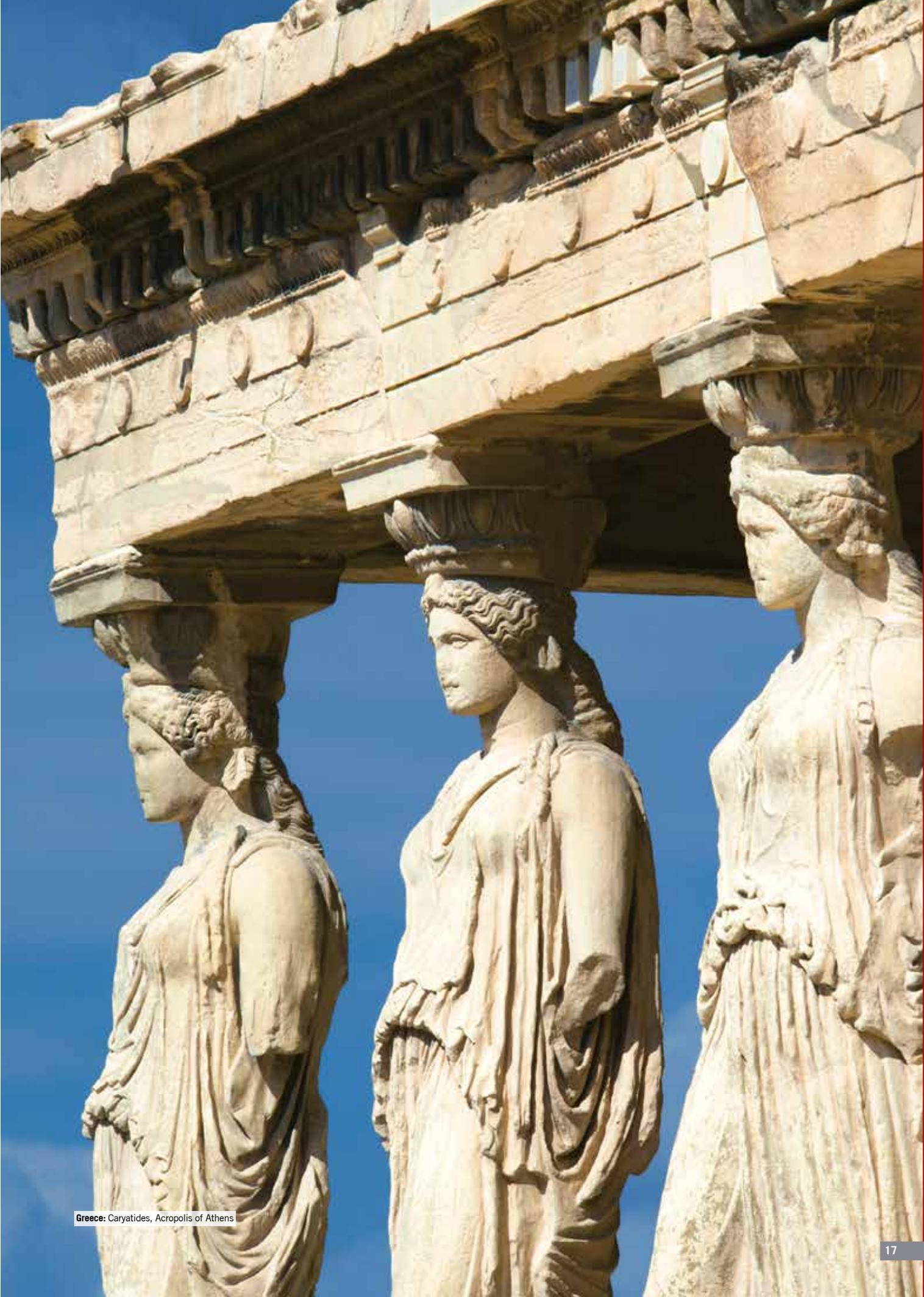
And this is just the beginning: it will continue to get worse as long as neoliberalism reigns. Consumers can only see the benefit of low prices. They simply cannot envision the much higher price society will eventually pay as a way of life disappears and the tax base slowly crumbles. Unfortunately, SAS is not likely to survive. Slave-like employment conditions are not about to improve.

### BIASED PLAYING FIELD

The fundamental problem – the one that has not yet been widely recognised – is that the playing field on which both domestic and foreign companies compete is strongly biased in favour of large multinational corporations. Almost all of the world's countries are members of the WTO which was designed to satisfy the requirements of the largest multinational corporations – to be able to produce anywhere without regard for social and environmental impact; to sell anywhere; to use transfer pricing and intercompany loans to exploit differences in tax regimes; and to ultimately place their profits in tax havens where to are safe from their home jurisdictions.

No domestic company can compete with that. The stark choice is between joining their ranks and foundering in what has been described as a race to the bottom. Many multinationals are now moving even their corporate headquarters to tax havens for even greater protection. It is the 0.1% elite that to all practical intents and purposes control these companies. This is, of course, why their wealth has exploded over the past thirty or so years. It is also how they managed to prosper in the aftermath of the 2008 financial crisis.

Recently, Oxfam reported that the 85 richest



Greece: Caryatides, Acropolis of Athens

billionaires now own more wealth than the poorest three billion people of the world do. A few years ago, it took 300 billionaires to equal this wealth. It gets worse each day. How many billionaires will it take a decade from now?

In some countries, such as the USA, the 0.1% elite also control most politicians. It may be too late for reformers to rescue the American political process from the excessively rich; however, it is not too late to do so in Europe.

To me, the most fascinating aspect of what goes on is the apparent surprise of journalists, politicians, and citizens in general, as to what is happening to their societies as inequality grows. I say fascinating because exacerbating inequality was from the very beginning the whole point of neoliberalism and its global agents – WTO, IMF, World Bank. It was, of course, never openly stated in this way.

Furthermore, it was never intended that the “developing countries” would actually develop. Their assigned role in the neoliberal world is to supply the rich countries with cheap raw materials. End of story.

#### BOATS STRANDED

The actual selling point of neoliberalism was that free markets benefit everyone as in “the tide lifts all boats” and other analogies. It was never actually about economics: that was merely a façade. Neoliberalism constitutes an ideological / political plan conceived and executed very cleverly and cunningly by billionaires and their hangers-on.

All is going according to plan and we are currently observing precisely what was intended from the original game plan masterminded some thirty years ago. I find it incredible that so many commentators and politicians cannot fathom the real dynamics of what is going on, but continue to buy into a story that is destroying the very basis of their existence.

In principle, it is a relatively simple political problem to solve – provided the will is there. In practice it is, however, a rather complex issue. Real change requires first and foremost rejecting a lot of our politically correct beliefs about the present economic system. For example, reformers will have to leave the WTO and establish new principles of trade with the sovereign nation state – and not foreign predators – in charge; not an easy task when we are constantly told that the sky will fall if we ever leave the WTO.

For a Eurozone member state, change will prove particularly hard to implement due to a design-flaw that prevents countries using the euro from issuing their own currency and tinkering with its exchange rate as their economies and inflation rates diverge. I have stated before that the only viable long-term solution for the Eurozone is its split into two blocks: one group of countries that revert to their own currencies, and another group

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that forms a new Euro State with both a single currency and government.

Until such a division happens, the European Union will be in continually plagued by crises and may even come to collapse. However, with a split the EU could possibly continue as a major political and economic force with a viable and unified internal market.

The very concept of a single currency zone was a disastrous one and totally uncalled for. What the EU should have done, is to allow – as it once did – national currencies to float within a set, and periodically adjusted, range. Ironically, the most peaceful period in the history of the European Monetary System (EMS) ran from 1993 to 1999 when the system collapsed just before the euro came into being.

During this unique period, European national currencies floated within a range of +/- 15% which allowed for a gradual adjustment of exchange rates without speculator movements or other disruptions. Speculators are often most attracted to pegged – as opposed to floating – currencies. Traders are usually ogling a central bank’s currency reserves and love nothing better than a central bank depleting its reserves defending a hopelessly out-of-date exchange rate set in stone.

It is here that Greece may inadvertently have been assigned the role as the first (but not the last) country that gives up the whole system as the nation realises that it has nothing to lose. Should it come to this, Greece will at least have control over its own destiny and has the opportunity to will and re-establish a new sense of community and solidarity.

In practice, giving up on the system would mean leaving the euro, the European Union, and the WTO. So why must Greece leave the WTO and the EU once a new drachma has come into being? Rebuilding the economy will require capital controls which are not permitted by the EU. It will also require checks on imports which the WTO disallows. Without these controls, the Greek economy would be like a cork floating in the sea and, as such, remain under the continued influence of foreign interests.

#### END NOT NIGH

Greece may have to declare bankruptcy. Of itself, that would probably not be the end of the world as we know it. The American economist Michael Hudson repeatedly reminds creditors that “debts that cannot be paid, will not be paid.”

The Greek will have to reorganise the economy and will need to produce essential goods domestically – creating many jobs in the process. The export of products and services should be limited to the bringing in of the foreign exchange needed to acquire essential imports the country cannot produce itself.

A policy of no new foreign loans must be implemented. An exception could be made for the financing of export-oriented projects that will generate enough foreign exchange to allow the initial loan to be paid off quickly. Also, the privatisation of public assets should stop immediately.

Greece should decide unilaterally which foreign companies and products will be allowed into the country and which foreign investment is aligned with domestic priorities. This will require new trade patterns with a few selected partners on a quid pro quo basis. It is quite doable. Note that if all countries did the same (they will eventually), the 0.1% elite would soon be consigned to history along with the destructive and undemocratic neoliberal system they espouse.

I predict that all countries will eventually ditch neoliberalism and take back control as a simple matter of survival. In fact, I predict that the above-mentioned model will be used to reorganise the nation state within one or two decades from now. This is when the current system will be replaced by one that celebrates the almost forgotten concept of a sovereign nation actually controlling its own economy.

Of course, all this will take time. However, bottom-up radical reforms – inspired by new political parties like Syriza in Greece, Podemos in Spain, and The Alternative in Denmark – will inevitably happen and hopefully before the current system collapses entirely. The only long-term alternative is that of an unacceptable neo-feudal world order, cleansed of its middle class and with a handful of super-rich masters controlling the destinies of billions of working poor trying to survive on \$2 a day. This is the bleak future that awaits us should business continue as usual.

Greece has an historic opportunity to become the first country to experiment with the new economic model – perhaps a silver lining to its current hardships.

#### ABOUT THE AUTHOR

**Ross Jackson**, PhD, worked for close to a quarter century in the foreign exchange world as currency adviser to international corporations, a currency fund manager, and research head of a team of mathematicians and IT experts. Mr Jackson is currently the owner of Urtekram, Denmark, the major Scandinavian organic foods wholesaler. He is the author of *Occupy World Street: A Roadmap for Radical Economic and Political Reform* (Chelsea Green, 2012).