

‘Free trade’ and risks of class warfare

*“Free trade” advocates are always reluctant to discuss the damage done by their ideas to community life and class relations — and the world’s press is uncritical, says **SCOTT BURCHILL.***

In 1994, when GATT director-general Peter Sutherland insisted that there would be no losers from the Uruguay round, only winners, he could be confident that his words would appear in the financial sections of the western world’s newspapers without serious challenge:

such is extent of the commitment to free trade among journalists and economic commentators.

Free trade specifically, and market capitalism more generally, have, of course, become more than simply a transient economic orthodoxy or dogma — we are talking here of a fundamentalist state religion where commitment and virtue are measured by an unquestioning “faith” in “market forces” and dissent is demonised when on rare occasions it is allowed entry into the discussion, but

more often simply censored or suppressed.

Among such a deafening and reThe report argues that rising inequality is a permanent feature of the world economy and are now so stark they could “unleash a backlash against global free trade” with “menacing consequences.”

The Unctad report confirms earlier

OECD-World Bank research which identified five countries or regions (mainly African, Caribbean and Pacific countries) which were expected to suffer real income losses from the Uruguay round and eight which could lose from full free trade, mainly as a result of a deterioration in their terms of trade. So much for Peter Sutherland’s non-existent losers.

Free trade advocates are always reluctant to speak about the negative effects of their ideas on community life and class relations. As Lester Thurow points out: “The theory of free trade admits that there will be sharp income-distribution changes within each participating country. Average incomes will go up with free trade, but there may be millions of losers in each country.

“The theory assumes that the winners will compensate the losers, so that everyone in each country has an incentive to move towards

free trade, but in fact such compensation is almost never paid. Without such compensation there are individuals who should rationally oppose free trade as antithetical to their economic self-interest.”

Free-market policies tend to exacerbate social and economic inequalities, both within and between states. This is the case for both developing and industrial societies, though this knowledge has had little impact on the policy-making elites who remain disingenuous in their claim that free trade is a win-win relationship. Rich industrial societies themselves are no longer immune from the effects of globalisation, with many exhibiting, in Galbraith’s memorable phrase, “private affluence amid public squalor.”

This trend has failed to shake the confidence of the political leaderships in the developing world. Australian governments, for example, continue to argue that “an effective and open multilateral trading system is in the best interests of all countries,” despite OECD and World Bank reports which reluctantly concede that “free trade” produces winners (wealthy industrialised states) and losers (poorest states).

Those who advocate free trade and free capital mobility do so in

the knowledge that they are simultaneously advocating the equalisation of wages, known in inter-governmental circles as the “harmonisation of standards,” which invariably becomes a downward thrust.

To the critics of neo-liberalism, the policies of wealthy industrial powers are called “free trade” for doctrinal reasons but they might more accurately be described as a system of world governance with parameters defined by unregulated markets and rules administered by supranational banks and corporations.

Economic doctrines preached by dominant states are primarily instruments of power, intended for others. No wealthy society accepts these conditions for itself unless they happen to confer some temporary advantage.

“Free trade” is highly regarded by those who expect to win the competition, having first established a “level playing field” to their incontestable advantage, though it is often honoured in the breach when their interests so dictate.

In contemporary international politics the principles of “free trade” serve several useful functions for the dominant players. They prevent economic nationalism and independent economic development, particularly in subordinate societies. They can be selectively invoked to restrict social spending (undesirable because of its redistributive effects and interference with managerial prerogatives).

They can be used to undercut commercial competitors. They will open up Third World societies to more efficient exploitation (market access, foreign investment, access to resources, repatriation of profits).

For critics of “free trade” this is the context in which the emergence of so-called free trade agreements and associations such as Nafta, Apec and the WTO can be properly understood. It is also the environment in which international organisations such as the G7, the IMF and the World Bank operate.

These are powerful transnational bodies which embody free trade liberalism as their governing ideology. To their critics, however, they impose free market strictures on developing societies.

They are primarily organisations which formalise and institutionalise market relationships between states. By locking peripheral states into agreements which force them to lower their protective barriers, Nafta and Gatt, for example, prevent Third World nations from developing trade profiles which diverge from the model dictated by their so-called “comparative advantage.”

The IMF and the World Bank on the other hand make the provision of finance (or more accurately “debt”) to developing societies conditional on their unilateral acceptance of free market rules for their economies — the “conditionality” of so-called “structural adjustment programmes.”

Needless to say these conditions are rarely, if ever, applied to the industrialised world.