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## Deglobalization

The crisis of multilateralism and neoliberal globalization.  
The Brexit case study

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## Contents

Abstract (Italian) .....	7
Foreword.....	12
Presentation of contents .....	16
FIRST PART : Neoliberal Globalization	
I. Economic Philosophies of the 20 <sup>th</sup> Century .....	18
I.I. <i>Shift in beliefs: towards Neoliberalism</i> .....	18
I.II. <i>Neoliberalism and neocolonialism: US unilateralism unfolded</i> .....	21
II. An assessment of the failures and successes of Neoliberalism: multilateralism, hyperglobalization and supranationalism on trial .....	27
II.I <i>The fortune of Structural Adjustment: an historical definition</i> .....	27
II.II. <i>Neoliberalism, debt and neocolonialism in Chile: the first neoliberal experiment</i> .....	29
II.III. <i>Neoliberalism and financial globalization in the Asian Economic Miracle: the Meltzer Commission's conclusions on the future of neoliberal multilateralism</i> .....	36
II.IV <i>Unfair Fair Trade: WTO superpower and supranationalism</i> .....	44
III. The sunset of Neoliberalism.....	58
III.I <i>The rise of discontent</i> .....	58
III.II <i>A reform of neoliberal institutions?</i> .....	65
III.III <i>Alternatives: hyperglobalization, global democracy and nationalism</i> .....	69

SECOND PART: Deglobalization : a Brexit analysis .....	79
IV. Brexit Factsheets: who and why voted against what.....	81
IV.I <i>What does Brexit mean? Beyond mainstream definitions</i> .....	81
IV.II <i>Brexit identities: beyond traditional politics</i> .....	86
IV.III <i>British economic history: post-imperialism, liberalism and Euroskepticism</i> .....	96
IV. IV. <i>Unfair Supranationalism: Take Back Control</i> .....	101
V. The road for a new economic philosophy for the 21 <sup>th</sup> Century? .....	107
V.I. <i>1979-2017: Neoliberal trajectory and inequalities</i> .....	107
V.II <i>Social unrest: from March 2011 to Brexit and beyond</i> .....	117
Conclusion .....	122
Bibliography .....	126
Notes .....	131

## List of Figures

Figure I. Chilean GDP growth (annual%) compared to Latin American economies .....	33
Figure II. Current Account Balance (%GDP) .....	46
Figure III. Leave and Remain voters across Parties .....	86
Figure IV. Geographical distribution of Leave and Remain votes .....	92
Figure V. Brexit Referendum according to age groups .....	92
Figure VI. Word Clouds .....	105
Figure VII. Top 1% fiscal income share, United Kingdom, 1918-2014 .....	108
Figure VIII. Fiscal income share by population group, United Kingdom, 1918-2014.....	108
Figure IX. United Kingdom public spending as % of GDP .....	111

## List of Tables

Table I. Share of income according to population groups .....	107
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## **List of Abbreviations**

ASEAN	Association of Southeast Asian Nations
DCs	Developed Countries
DSB	Dispute Settlement Body
ECB	European Central Bank
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATS	General Agreements on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
ITO	International Trade Organization
LDCs	Least Developed Countries
MEAs	Multilateral Environmental Agreements
MFN	Most Favored Nation

MP	Member of Parliament
NAFTA	North American Free Trade Agreement
NT	National Treatment
PPP	Public-Private Partnership
PTA	Preferential Trade Area
SAP	Structural Adjustment Programme
TRIMS	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade Related Aspects of Intellectual Property Rights
UK	United Kingdom
UKIP	United Kingdom Independence Party
US	United States
WB	World Bank
WTO	World Trade Organization

## **Abstract**

Questa tesi si colloca nell'ambito dello studio della globalizzazione nel campo delle Relazioni Internazionali ed intraprende un'analisi delle più recenti evoluzioni dello scenario politico, economico e sociale degli ultimi cinquanta anni. A partire dagli anni del secondo dopoguerra, si è verificata una sempre maggiore integrazione degli stati e a livello economico e a livello politico, rispondendo a diverse "filosofie economiche". A partire dagli anni '70 – e fino ad oggi - il multilateralismo si è ispirato in particolar modo alle idee del Neoliberalismo, esemplificato dalla nascita della trinità neoliberale costituita da Fondo Monetario Internazionale, Banca Mondiale e, più recentemente, Organizzazione Mondiale del Commercio. Un bilancio dei successi e delle problematiche derivanti l'operato di questi organi diventa necessario per convalidare l'efficacia economica, politica e sociale del Neoliberalismo. Uno sguardo sul contesto storico della nascita e dello sviluppo del Neoliberalismo apre la problematica dell'egemonia, ovvero il fatto che il multilateralismo del penultimo secolo nasconde invece interessi unilaterali, specie quelli degli Stati Uniti. Tale fatto venne riconosciuto dalla Commissione Meltzer nel 2000, quando nella sua analisi delle attività della triade neoliberale riconobbe la necessità di una riforma urgente di tale sistema, per ripristinare l'autonomia e l'efficacia di ciascuna di queste istituzioni. Rintracciandone le attività, si può storicamente verificare che almeno dall'inizio degli anni della crisi del debito - gli anni '80 - il Fondo Monetario Internazionale e la Banca Mondiale agivano in tandem, per esportare un concetto di economia libera e aperta in ogni stato che chiedesse il loro intervento. Il primo risultato storico del cosiddetto aggiustamento strutturale, ovvero di un prestito basato su specifiche condizionalità di taglio neoliberale, è il caso del Chile negli anni '70; un secondo esempio, più recente, è invece quello della crisi delle Tigri Asiatiche nella seconda metà degli anni '90, causato dall'eccessiva finanziarizzazione di economie prima relativamente protette. La ricetta neoliberale, come esemplificata nel concetto di "Washington Consensus", rispecchia un nuovo carattere della politica estera statunitense: l'esportazione del Neoliberalismo tramite istituzioni come il Fondo Monetario Internazionale, la Banca Mondiale e l'Organizzazione Mondiale del Commercio, si tramuta in un nuovo neocolonialismo, basato sul potere

economico e finanziario, e all'interno di queste istituzioni e a livello internazionale. Il multilateralismo, simbolo della globalizzazione del dopoguerra, non diventa che il modus operandi dell'egemonia statunitense, dopo la crisi del dollaro degli anni '70. L'equilibrio neoliberale così promosso dalla ricetta statunitense, in primis applicata in America Latina, influenza secondo J. Williamson almeno in dieci punti la politica economica: bilancio di budget, tagli nella spesa pubblica, aumento delle tasse, aumento dei tassi di interesse, tassi di cambio competitivi, liberalizzazione del commercio, liberalizzazione degli investimenti esteri, privatizzazione, deregolamentazione, aumento dei diritti di proprietà. Tutti gli interventi delle istituzioni neoliberali si sono basate e si basano ancora oggi sulla deregolamentazione, sulla finanzializzazione e sulla liberalizzazione dell'economia mondiale, con tutte le contraddizioni che tale approccio comporta; ultima ma non ultima, la crisi del 2008, dovuta all'eccessiva finanzializzazione, correlazione e tossicità del mercato finanziario. La globalizzazione neoliberale, basata su una sempre più integrata economia mondiale, mette a nudo la difficoltà di garantire la stabilità economica globale, a discapito dei suoi effetti sociali e politici. Dare priorità alla materia economica rispetto alla materia sociale ha portato a una crisi di legittimazione di tale filosofia economica, dunque alla necessità di riformarla o, in caso di impossibilità, di trovare filosofie economiche alternative a quest'ultima. La domanda che questa tesi si pone, dopo aver esposto le contraddizioni interne del Neoliberalismo, è se questa filosofia economica sia giunta a una *débauc* finale, dopo vani tentativi di riforma e la sua incapacità di rispondere ad un malcontento sociale dilagante, e quindi se i recenti sviluppi politici ed economici permettano di avanzare l'ipotesi che una nuova filosofia economica, politica e sociale, adatta alle sfide del ventunesimo secolo, sia necessaria.

Quali sono le alternative alla globalizzazione neoliberale? A questa domanda sono già state date diverse risposte, una delle più celebri è quella di Dan Rodrik, che combina gli elementi di democrazia, autonomia nazionale e globalizzazione, per creare tre diversi scenari. Il primo di questi scenari sembra confermare le radici del malcontento sociale odierno: prevede che in caso di integrazione

economica globale si verificherebbe una crisi di democrazia e di mancanza di regolamentazione nazionale o sovranazionale, portando alla rottura del contratto sociale. La seconda opzione prevede invece di sopperire alla mancanza di regolamentazione creando un governo sovranazionale, in grado di ripristinare democrazia e stabilità sociale a livello internazionale, e sacrificando quindi l'autonomia nazionale. Una terza ipotesi prevede la rivendicazione dell'autonomia e del contratto sociale da parte degli Stati Nazione, che sacrificano la globalizzazione a vantaggio di trasparenza e democrazia. Seguendo questa divisione del tutto attuale, si può affermare che i tentativi di integrazione globale hanno prodotto sia contraddizioni economiche (es. la crisi del 2008) sia contraddizioni sociali, esplose in diverse manifestazioni, specie a partire dagli anni 2000, in tutto il mondo (Seattle, Cancun, Porto Alegre, per nominarne alcuni). Manifestazioni anti-neoliberali hanno cercato di proporre alternative al modello di sviluppo neoliberale, promuovendo valori come la redistribuzione della ricchezza, lo sviluppo sostenibile, la lotta alle ineguaglianze e democrazie più inclusive. Un controverso effetto sociale che oggi possiamo vedere dilagare in diversi Paesi è la risposta populista alla crisi di democraticità del neoliberalismo: in risposta ad una tecnocrazia sovranazionale incapace di solidificare il contratto sociale a livello internazionale, l'avversione ad essa si è espressa in termini nazionalistici e populistici, illiberali e post-politici. Dopo il fallimento di integrazioni non solo economiche ma anche politiche e livello internazionale, come può essere la recente crisi dell'Unione Europea, il cui accentramento è sempre più temuto e percepito non come un "governo sovranazionale" ma come un deficit democratico, la terza opzione evidenziata da Rodrik sembra rappresentare l'attuale evoluzione politica in seguito alla *débaclé* della globalizzazione neoliberale. Diversi sono gli esempi che nella sfera internazionale sembrano confermare la deriva nazionalistica della politica e dell'economia nelle Relazioni Internazionali del ventunesimo secolo. Siamo quindi agli albori di un cambiamento? Che tipo di filosofia economica può sposare la richiesta di trasparenza e nazionalismo che oggi caratterizza le Relazioni Internazionali?

L'analisi di un caso studio particolarmente emblematico come la Brexit permette di verificare l'ipotesi che l'eredità neoliberale abbia preparato il terreno sociale e politico per una rivendicazione nazionalistica, formulata in termini Euroscettici, populistici e spesso discriminatori. Decenni di politiche neoliberali, sia da parte di governi conservatori, sia da parte dei governi di New Labour, hanno radicalmente cambiato il tessuto sociale della società inglese, agendo nel settore sanitario, educativo, ecc. sino a dare forma a quel tipo di società altamente ineguale che è la società neoliberale. La distribuzione della ricchezza in una società neoliberale è tipicamente polarizzata tra un 1% estremamente benestante e un 99% che sempre più si omogeneizza. I cambiamenti sociali avvenuti in Inghilterra negli ultimi 50 anni non sono quindi unicamente e direttamente dovuti all'adesione all'Unione Europea e alla sua continua integrazione politica; è stata forse la stessa politica inglese, ispirata al neoliberalismo d'oltreoceano – e che ha subito un intervento del Fondo Monetario Internazionale già nel 1976 – a esserne la prima fautrice. Il malcontento sociale è stato abilmente correlato a forti sentimenti isolazionisti, presenti da sempre nella psiche britannica, articolando un discorso euroscettico e discriminatorio, e portando così alla vittoria di una politica basata sul sentimento e non sul fatto, sulla cosiddetta post-verità. La vittoria della campagna Leave esemplifica non solo la crisi di trasparenza dell'Unione Europea, ma soprattutto le contraddizioni sociali che la politica neoliberale ha creato in una delle più forti economie mondiali. Una ricerca geografica e psicologica del Brexiteer infatti conferma il presentimento che i voti a supporto dell'uscita dall'Unione Europea corrispondono a quelle fasce della popolazione che più hanno sofferto della competizione straniera, dei tagli della spesa pubblica, della liberalizzazione e della deregolamentazione. Queste identità sono state a lungo ignorate dalla politica inglese, tanto da causare un de-allineamento della base elettorale tipicamente di sinistra; in mancanza di una retorica convincente e alternativa da parte del New Labor, le identità che più hanno sofferto gli effetti sociali del Neoliberalismo sono state facilmente attratte dalla nascita di partiti populistici, come UKIP. L'intera campagna attorno alla Brexit si è spesso macchiata di populismo, l'unica forma di (non-)politica che sembrava potesse cogliere il disagio sociale inglese e che potesse articularlo in termini elettorali.

Dopo la vittoria del Leave la retorica populista non è più stata in grado di definire una strada per l'uscita della Gran Bretagna dall'Unione Europea; da qui, la confusione nelle mille definizioni di Brexit che vediamo oggi. Con le elezioni generali del 2017, la crisi della Brexit non si è ancora risolta, ma una formulazione nuova da parte della sinistra guidata da J. Corbyn sembra riaprire un dialogo democratico, sempre meno populista e sempre più pluralista, nella politica inglese. E' il 2017 quando lo stesso Corbyn annuncia che bisogna definire un nuovo modello di sviluppo che possa sostituire il dogmi del neoliberalismo. L'esempio inglese è quindi la prova che il neoliberalismo ha raggiunto il punto di non ritorno e che una nuova narrativa economica, politica e sociale si sta formando.

## Foreword

The early years of the 21<sup>st</sup> century, the years we are witnessing and living, are characterized by an unprecedented growth and reach of international institutions, corporations, digital connections, supply chains and global civil society; at the same time we also witness the withdrawal of many states – especially the US as of 2018 - from international agreements, the rise of nationalism and independence parties. Despite their being recent phenomena, the proper functioning of international agreements and connections affects the lives of more than 7 billion people in the world. A closer look to indicators allows us to figure out how many goods, people, internet users, roads, bridges and international bodies keep increasing at an incredible rate if compared to only 50 years ago: out of 7 billion people in the world, almost 4 billion enjoy internet access<sup>1</sup>, 54,3% of world population lives in cities while in the 1970s only 36,5% did<sup>2</sup>, merchandise export related to GDP has doubled from 20% in 1970 to 42% in 2017 and rail lines have soared from 1,000,507 km in 1980 to 1,051,767 km in 2016.<sup>3</sup> That is only to show that the world is becoming even more interconnected, rich, dynamic and dense. The increasing integration of flows of money, people, goods and services – recalling the Four Freedoms on which the European Union is founded – is generally referred to as globalization. Globalization is another way of understanding geography, for it shrinks space and distance by connecting production, trade, power, to the extent that it may even cast doubts on the need of frontiers. By the way, borders and fences have known a recent return in politics since the immigration crisis of the first years of the 21<sup>st</sup> century, thus questioning again the real need for frontiers in a globalized world. Born as a tool to dismantle barriers to exchanges, especially in goods and services, today globalization deeply concerns also flows of people and money. The integration of finance and States into regional or global groups catches the main feature of global trends starting in the early 1900s till today. Financial operators can move money from one continent to another in a click from their Wall Street offices; waves of people cross frontiers in huge amounts to escape wars, poverty, or environmental conditions to the extent that mass migrations is

one of the main political topics in electoral campaigns (think about US president D. Trump rhetoric on Central American frontier workers or the European Višegrad Group's will to raise walls and to prevent migrants from entering their countries). The world has known many waves of globalization, since the great geographic discoveries of the 15<sup>th</sup> and 16<sup>th</sup> centuries, to the British imperial age of the 18<sup>th</sup> and 19<sup>th</sup> centuries, and finally the rise of multilateralism in the 20<sup>th</sup> century<sup>4</sup>. The keyword of the today's globalization is global governance: in the last two centuries a paramount rise in global agreements on trade, development, finance, military and economy strives to control and enhance the pace of global political, economic and financial integration. It reached its momentum at Bretton Woods Conference, New Hampshire, New York, in July 1944, when the tools for global governance were designed ad hoc to prevent instability and illiquidity, especially after the experiences of the Great Depression of the 1930s and the two World Wars. Bretton Woods bodies are still at work, following their global mandate to enhance global cooperation and integration: most notoriously they are the International Monetary Fund, the World Bank and the World Trade Organization (since 1995, heir of the General Agreement on Tariffs and Trade 1947 and the never-born International Trade Organization). After almost 70 years from their birth they have gained international status and primacy, for all countries defer to them for decisions on matters like trade, loans and development. They mostly affect the global South for the concession of loans and the policies of development, most commonly known as Washington Consensus, but they also have a great impact on the global North when it comes to trade, international competition and international standards. It is high time for an assessment of their performance in these fields, for they exercise coercion on states but no state or international body does really monitor and check the effectiveness of their policies. Taking for granted that a policy is good (or the opposite) just because it is devised by such a highly-esteemed and powerful body is a blind acceptance of their conduct and righteousness. States can in fact revise or reject IMF or WB's advice, however so far few states have managed to follow their own path of development and their own policies openly opposing the Washington Consensus. The special mindset behind the Washington Consensus is that there is only one recipe to growth, a typically

western recipe that fits all countries and needs. This recipe was devised in the 1990s and since then it has proven not to be effective in many cases. The 1990s mark indeed a watershed in the history of the this wave of globalization: globalization rests always on the same pillars of integration and cooperation since ever, but the kind of integration and the way to achieve it are dictated by special mindsets. In the past we may have spoken of mercantilism first and imperialism then; as for this wave of globalization, we distinguish the 1940s Keynesianism and the 1990s Neoliberalism. All these –isms are responsible for the particular tools that economists and politicians have devised throughout the years to achieve the same end, for the –ism is a means and globalization is the end. The assessment of today’s globalization is indeed an assessment of the ideas that buttress it. There have been and there will be in the future different kinds of globalization, for the process changes according to ideas and historical contingencies. The question I will and I hope to thoroughly face is exactly whether we are witnessing the historical contingency to forward another –ism, another globalization inspired by new principles, as many social movements have been claiming in recent years. When states lack the power or the stance to counter IMF, WB and WTO’s policies, civil society raises as the ultimate democratic countercheck of international policies. Global civil society has been defined by a New York Times article “*the second superpower*” (Tyler, 17/02/2003), following only the US government, for it increasingly gains power in shaping international political and economic decisions. What global civil society claims is another globalization, an alternative globalization (alter-globalization or alter-mondialization) to reset the mindset of the late 20<sup>th</sup> century and promote new values, proper to the 21<sup>st</sup> century’s world and society. Evidences of the drift from neoliberal policies towards new standards are accumulating since the late 1990s, and especially after the 2008 crisis civil society has started protesting against the neoliberal order. The 2008 crisis put under stress the principle of laissez-faire, as governments bailed out close-to-bankruptcy banks and paid private debt back through austerity measures and cuts to public spending. The 2000s represent an incredible historical moment when the principles of borderless states and hyperglobalization are questioned by a society that scapegoats the migration crisis as the origin of social unrest. In order to analyze this

historical moment we need to inquire the path that globalization has followed in the last years, to understand the roots of the 21<sup>st</sup> century discontent. Democracy challenges neoliberal globalization and it proved to be by far a superpower. Is Neoliberalism able to reform itself to overcome its contradictions and answer to society's claims? Or, do we need a new economic and social narrative for the 21<sup>st</sup> century?

## **Presentation of contents**

This thesis studies the economic and social outcomes of Neoliberalism, since its devise in the 1970s, focusing particularly on its implications as an economic philosophy, that shapes the mindsets of the body politics. The first part, called neoliberal globalization, presents the rise (chapter I.I), the main features and actors (chapter I.II) that characterized the development of Neoliberalism as a market fundamentalism, closely related to the US hegemonic power in the post-war years. The first chapter recalls the history of neoliberal multilateralism and it proposes a critical view on the influence of global superpowers on its performance. Chapter II considers the debt crisis as the beginning of the glory and reputation of neoliberal multilateral bodies, taking as examples some case studies, namely Chile and East Asia. The latter show a deep correlation between economics and geopolitics, as the forwarding of the neoliberal agenda coincided with the extension of US sphere of influence and economic interests. Under the pattern of neocolonialism and financial liberalization, the US-devised market fundamentalism was applied throughout the world. The report by the Meltzer Commission acknowledges the special relation between the US and the main neoliberal bodies, claiming that a proper functioning of the latter is possible only through a delinking from US foreign policy and a reform of their roles, in order to fulfill their original mandates. A further section is reserved to the relation between Neoliberalism and states' regulations in different fields, so as to show that in most cases neoliberal bodies' supranationalism undermines sound national regulations (chapter II.IV). An account of global civil society's reaction to neoliberal contradictions is given in chapter III.I, followed by a questioning of the feasibility of a reform of neoliberal bodies to better respond to their fallacies and new challenges (chapter III.II); chapter III finally concludes that , lacking the will to reform, Neoliberalism may have to leave room for different economic paths, that will enhance democracy and social safety nets instead of mere economic performance. The alternatives presented follow D. Rodrik's suggestion of combining globalization, democracy and national autonomy in three options, namely hyperglobalization, supranational democracy and national democracy (ch. III.III).

Apparently, nowadays the preferred option seems to be the return of national advocacy, to the detriment of supranational projects of economic and political integration.

The second part of the thesis brings the Brexit case as an evidence of the underlying trend towards national independence from regional and global integration, which apparently confirms W. Bello's definition of deglobalization. This part proposes a different reading of Brexit, not only in the context Euroskepticism, but more generally in a global context of deglobalization. It inquires the real meaning of Brexit, overcoming the standard references to immigration and Euroskepticism, rather it aims at tracing back the roots of discontent to the birth of Neoliberalism in the United Kingdom (chapter IV.I). Chapter IV also tries to draw a portrait of the Brexiteer, in order to show the correlation between the social effects of neoliberal policies and the geographical and social distribution of the Leave votes (chapter IV.II). Other aspects, proper of the British psyche and British economic history, contributed to the Leave vote (chapter IV.III and IV.IV): Euroskepticism and nostalgia for a glorious past have always been latent in British history, but the particular post-democratic use and abuse of these topics characterized the Leave and Remain campaigns. In order to investigate beyond the findings of post-truth and populist politics, Chapter V retraces the economic trajectory of the United Kingdom from the election of M. Thatcher till the last general elections (8/06/2017), so as to show that the causes of discontent are deeply-rooted in British political economy. Finally, Chapter V.II overviews British uprisings and movements of protest, till the apparent moment of rupture embodied by Brexit; it also considers the recent re-birth of Labour as a signal of hope in British politics, able to keep populism at bay and to bring politics back to liberal democratic patterns. Most importantly, Labour may exemplify a new programme, responding to a new social and economic narrative.

## **FIRST PART : Neoliberal Globalization**

### **I. Economic Philosophies of the 20<sup>th</sup> Century**

*Shift in beliefs: towards Neoliberalism.* Neoliberalism has promoted economic liberalization and privatization, to increase corporate power and to decrease government involvement in economic matters (doctrine of the least government): its mantra is that markets are efficient, unlike governments, therefore order and a healthy economy are achieved by and only by the market. Even politics is subdued to the proper functioning of the market, for politics and economics merge into political economy, to the extent that “*what’s good for General Motors is good for the country*”<sup>5</sup>. International bodies are thus in charge of liquidity (IMF), developmental policies (WB) and trade liberalization (WTO), perfectly pursuing the neoliberal recipe. What may be striking is that today’s globalization is based on neoliberal assumptions, but it stems from post-World War II bodies, which were instead inspired by Keynesian assumptions. IMF, WB and GATT (the forerunner of the WTO), as thought by H.D. White and J.M. Keynes at Bretton Woods in 1944, were entitled to correct market failures through government interventions, for markets do not work properly on their own and institutions must perform corrective activities to achieve social, economic and political aims. For instance, the IMF should inject liquidity in creditworthy countries to allow the implementation of expansive measures when economic downturns hinder them, with the main aim of maintaining full employment and global aggregate demand. In economics this is called market failure theory of governmental action, indeed the government acts upon special constitutional provisions that acknowledge to the government the right to manage the markets, e.g. to provide for minimum wages, working conditions and unemployment subsidies, and to foster the creation of some industries. In terms of policies, the main difference between Keynesianism and Neoliberalism is that the first aims at full employment and expansionary policies, whereas the second aims at keeping inflation at bay through restrictive policies despite an increase in unemployment (Stiglitz, 2002: 11-

17). Both mindsets allowed the US to lead the world without engaging in direct imperialism, without governing directly interstate commerce as a world market ruler; instead, it kept on monitoring world trade and markets under a different pattern, disregarding the task of a global government and enhancing its supremacy cunningly through international organizations. At a further analysis, it seems no historical accident that in the 1980s the IMF mindset shifted from market failure theory to government failure theory, with the direct consequence of using international loans to impose conditionalities on indebted countries, focusing on contraction and fiscal austerity. The IMF shifted its mission from injecting liquidity to make it conditional to neoliberal reforms, and the WB from caring about the reduction of poverty to devise the so called structural reforms. WTO parallels this shift with its birth in 1995, replacing GATT 1947 and introducing a new dispute settlement body, a new agreement of trade and tariffs (GATT), a new agreement on services (GATS), an agreement on intellectual property (TRIPS) and an agreement on trade-related investment measures (TRIMs). During the last round of negotiations (the Doha Round), corporate interests, especially concerning terms of trade and intellectual property, were particularly furthered by the global North, confirming the trend towards what has been labeled "*unfair fair trade*". The reason why these bodies changed their original mandate is precisely historical contingency: as I have previously suggested, globalization and the specific mindset behind it deeply depend on superpowers' historical needs (in this case, the US). In the 1940s Europe was in dire need for economic recovery after the war and, on the other side of the ocean, the US harbored a strong will to politically control the majority of the world to contrast the rise of USSR. To achieve both ends, the US injected money in downturn economies in Europe, which had become a primary strategic and geopolitical area for the US: the US thus secured its capitalist reach in Europe and it won over the red menace on one side, and on the other side it artificially created demand for American goods in Europe. Economically speaking the US was already an empire of production looking for foreign outlets for its products, in order to avoid a crisis of overproduction. Such open-handedness towards Europe under the form of the Marshall Plan and the attempt to spur the integration of Europe towards an economic union served this

purpose. Keynesianism embodied US historical need after the war, since it prescribes balanced budgets, liquidity, employment, under a dollar-exchange system of fixed exchange rates. The 1980s present instead a completely different situation: dollar convertibility was suspended on August 15, 1971, the dollar was devalued by 10% twice in 1971 and 1973, and fixed exchange rates were definitively suspended in 1976 with the Jamaica Accords. The dollar was facing a crisis of overvaluation, for the exceeding quantity of dollars abroad was not backed by the relative amount of gold at home, thus creating both a crisis of illiquidity and a crisis of confidence. The international standing of the dollar in the Bretton Woods system had made the dollar the reference currency and, most importantly, the reserve currency of the world, therefore dollars were requested both abroad and at home (mainly to support military activities in Korea and Vietnam and for expansionary policies), but their printing was not backed by gold reserves. Moreover, US economy had already shifted from an empire of production to an empire of consumption, meaning that imports exceeded exports and many US dollars were leaving the country as import payments. So, if in 1960 the US could cover \$18.7 billion outside the country thanks to \$19.4 in gold reserves and a supplementary \$1.6 billion at the IMF, in 1970 the US couldn't cover foreign holdings, which amounted to \$45.5 billion against only \$14.5 billion in gold reserves (Kimberley, 20/02/2018). Expectations on the trustworthiness of the dollar plummeted with the growth of Eurodollar market, that is a market of dollar assets outside the US and outside its jurisdiction. It is called euro-dollar because credit was in dollar, but operations were based in Europe, namely in London, since 1957, when Russian dollar holdings were moved there from the US. The dollar could not stand the pressure of being both the reference and the reserve world currency, especially after the booming of the Eurodollar market. US balance of payments deficit and the lack of gold reserves to sustain the currency's international stability proved lethal: a fixed exchange rate against the gold was unfeasible and the dollar was devalued twice (1971 and 1973). Floating exchange rates initiated an era of global instability, characterized by both inflation and stagnation. The fault of this unhealthy economy was due, especially in the US, to profligate policies in domestic, primarily military, expenses, to an

overextension of the functions of the dollar and to trade deficit. Given this diagnosis, it seemed that the federal government was wasteful and inept, and that instead of market's failure the problem was government's failure. That's the precondition for the birth of Neoliberalism and for the success of the Chicago school of Economics, preaching a form of market fundamentalism that appeared to be the recipe for recovery in the 1980s. (Maier, 2007: 191 -237; Eichengreen, 2012: 58-68).

*Neoliberalism and neocolonialism: US unilateralism unfolded.* This historical explanation allows me to introduce another element of inquiry: the perspective I used to describe the shift of theories at the head of these bodies is typically a US-centered perspective, and it is so intentionally not for the sake of simplicity or western-centered geography, but exactly because these bodies – willy-nilly, since their creation – have responded directly to the global superpower. The hegemonic power was coming out from two world wars stronger than ever both politically and economically and it widened the reach of its power to secure its role and its interest - as well as previous hegemonic powers did with ad hoc methods – through multilateralism. Multilateralism proved to be a window dressing for US unilateralism. Multilateral institutions, as I have already suggested, represent the main feature of today's globalization, therefore for the US controlling the activities of such institutions to assert its role as the leading and unchallenged power in the world became paramount. The US masterly managed to hide – or at least to make it accepted by all other countries – the control it performed over IMF, WB and WTO, to the detriment of the only counterbalancing power, namely the United Nations. The Third World seldom, if not never, was represented actively in the boards of these institutions: by custom the head of the World Bank is an European, and the head of the IMF is an American, both chosen behind closed doors; voting power at the IMF depends on financial contributions, thus undermining LDCs from widening their political weight. Just take into account that the US holds almost 18% of total contributions, the second largest contributor only scores 6,48% of total contributions, making the US the undisputed chief of the Board of Governors. If we take a closer look at contributions as updated to March 2018, the US holds 17,46% of total

contributions, followed only by Japan contributing for 6,48% of total contributions, while all other countries hardly exceed 1%. If we add contributions from the largest economies, say US, Canada, China, Japan, Germany, UK, France we get  $17,46+2,32+6,41+6,48+5,60+4,24+4,24=46,75$ .<sup>6</sup> This means that more developed countries hold barely half of the decision power at the Board of Governors, to the detriment of the rest of NICs and LDCs. Thus, the ordering principle at the IMF seems to be “*taxation without representation*” (Stiglitz, 2002: 19-20), for decisions are taken mainly by developed countries. At the WB voting power again depends on capital contribution and the US holds more than 15% of it, which is also the bottom line for exercising the veto. Voting procedure may be both by consensus or by majority (one-country-one-vote), still the veto power cannot be exercised by all and the US has been limiting other states’ subscriptions – especially that of Japan – to keep its absolute veto power undisputed (Bello, 2004: 60). Regarding voting power at the WTO, Peter Drahos casts light of the weakness of LDCs in trade bargaining: formally, each country enjoys a vote and LDCs outnumber DCs in formal plenaries, nevertheless decisions are always taken by consensus (this means that only one disagreeing vote can stop the procedure), most decisions are taken behind closed doors among a restricted number of countries (so called Green Rooms) and DCs are strongly organized in a bargaining coalition called QUAD, whereas LDCs are not.<sup>7</sup> Again, US supremacy over other countries’ interests is guaranteed. The case of WTO’s creation is even more explanatory: in 1948 it was not convenient for the US to create an all-encompassing international trade organization because the US still needed to protect its economy, whereas in 1995 the US stood up exactly for the opposite. Evidence is given by the fact that the condition to sign GATT 1947 was that milk and some agricultural products were out of GATT’s jurisdiction; on the other hand in 1990s, when agriculture in the US was strong enough to provide plenty of goods at low prices, at the Uruguay Round the US insisted on liberalizing agriculture – the agriculture it had previously protected - to access those protected markets like Japan and Europe which still subsidized their economies. WTO dispute settlement body and binding rulings were advantageous to the US to put pressure on reticent countries to liberalize, or, in the words of Fred Bergsten, head of the Institute of

International Economics since 1981, talking before the US senate *“we can now use the full weight of the international machinery to go after those trade barriers, reduce them, get them eliminated”* (qtd. in Bello, 2004: 54). The World Bank instead, before going neoliberal, was headed by Robert McNamara, who seemed to grasp WB’s mandate to help the Third World to develop, to the extent that he was labeled a “socialist” because of massive lending to Southern Countries. McNamara was appointed chief of the WB in 1968 and he left his mandate in 1981, when William Clausen replaced him and Ann Krueger replaced McNamara’s advisor Hollis Chenery. This shift, happened not by chance exactly in the early 1980s, exemplifies the change in WB’s mission from enhancing the role of government to reduce poverty, to enhance the role of free market to solve developing countries’ problems. The main obstacle for US success in leading global institutions was perhaps the independent role played by the United Nations, born in 1946 – mostly the same year of Bretton Woods institutions -, and its agencies, especially UNCTAD (United Nations Conference on Trade and Development, born in 1964), which challenged directly the power of IMF and WB, by asking for price floors for certain commodities, preferential tariffs, foreign assistance, protectionist trade policy to allow industrialization in the Third World, and a transfer of technology to the South. At the beginning UNCTAD registered many successes “on paper” in Nairobi in 1976, such as the agreement on eighteen commodities’ prices (IPC) and the agreement on financing the South in case of trade unbalances (CFF); nevertheless agreements soon collapsed, the existing ones became non-operational and the conferences in Belgrade (1983) and Cartagena (1992) found a strong Northern opposition to debt cancellation and UNCTAD itself, whose functions were extensively reduced to analytics in order to avoid any involvement of UNCTAD in the Uruguay Round (Bello, 2004 : 50). By undermining UNCTAD’s role in forwarding Third World’s claims in the transformation of GATT into WTO and, broadly speaking, by imposing US-led neoliberal policies on many southern countries previously promoting the NIEO (New International Economic Order) discourse at the UN, US unilateralism, disguised as multilateralism, kept unchallenged until most recent times. Ironically,

western riots against IMF, WB and WTO have taken place exactly in the homeland of the hegemon, in Washington, Seattle, Miami.

For mostly 50 years US multi-unilateralism kept unchallenged. The international neoliberal order was thus guaranteed by multilateral tools, furthering a US-friendly globalization, and by US-friendly élites in local governments (see section I.II, *The first neoliberal experiment: Chile*, as an example of US securing a banana government, generally dominated by US interests and governed by a dictator).<sup>8</sup> The devise of multilateral tools to foster supremacy dates back to the 1930s, when it was already clear that direct interventionism was no longer the cornerstone of US foreign policy in Central and South America as it had been for the previous four decades under Roosevelt's doctrine of the "big stick" (between 1898 and 1934 the US army had been involved in Central America and in the Caribbean more than 30 times) (Livingstone, 2009)<sup>9</sup>. In the 1930s foreign policy relied instead on dictatorships and commercial dependency, initiating economic colonialism (or neocolonialism) under a new Monroe Doctrine, called "the good neighbor policy", which condemned intervention and preferred instead imperial-friendly local governments (Livingstone, 2009).<sup>10</sup> This shift is even clearer if we compare Theodore Roosevelt's words in 1904 and Franklin Delano Roosevelt's words in 1936:

*It is not true that the United States feels any land hunger or entertains any projects as regards the other nations of the Western Hemisphere save such as are for their welfare. All that this country desires is to see the neighboring countries stable, orderly, and prosperous. Any country whose people conduct themselves well can count upon our hearty friendship. If a nation shows that it knows how to act with reasonable efficiency and decency in social and political matters, if it keeps order and pays its obligations, it needs fear no interference from the United States. Chronic wrongdoing, or an impotence which results in a general loosening of the ties of civilized society, may in America, as elsewhere, ultimately require intervention by some civilized nation, and in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may*

*force the United States, however reluctantly, in flagrant cases of such wrongdoing or impotence, to the exercise of an international police power.*<sup>11</sup>

Theodore Roosevelt, Fourth Annual Message, December 6, 1904

*The men, women, and children of the Americas know that warfare in this day and age means more than the mere clash of armies: they see the destruction of cities and of farms; they foresee that children and grandchildren, if they survive, will stagger for long years not only under the burden of poverty but also amid the threat of broken society and the destruction of constitutional government.(...) Interwoven with these problems is the further self-evident fact that the welfare and prosperity of each of our Nations depend in large part on the benefits derived from commerce among ourselves and with other Nations, for our present civilization rests on the basis of an international exchange of commodities. Every Nation of the world has felt the evil effects of recent efforts to erect trade barriers of every known kind.*<sup>12</sup>

Franklin Delano Roosevelt, Address before the Inter-American Conference for the

Maintenance of Peace, Buenos Aires, Argentina, December 1, 1936

Franklin Delano Roosevelt's intervention at the Inter-American Conference paved the way for the creation of the Organization of American States (OSA) in 1948, which provided for the multilateral framework for US dominion in Latin America. US foreign policy during the Cold War years was deeply rooted in the remote control of multilateral tools, the threat of communism being the main call for legitimacy and trade interests being the inner reason for such benevolent paternalism. Such control was exercised both formally and informally: voting rights, charters, rules of procedure did bestow the US with formal decision power, whereas its foreign policy, its market and its army bestowed the US with enough power to exert pressure beyond legal means. The excessive weight appointed to the US, as compared to other minor States, did guarantee to the US a greater role in decision-making. US-led neoliberal globalization was achieved through multilateral institutions, rather than direct

interventionism. This shift, as suggested, occurred in the 1930s and it was later reinforced by the doctrine of containment. The framework for the birth of IMF, WB and GATT can be placed after the above-mentioned shift, therefore the mindset prevailing at the moment of their negotiation abides by the ideal of global governance.

## **II. An assessment of the failures and successes of Neoliberalism: multilateralism, hyperglobalization and supranationalism on trial**

A thorough analysis of post World War II international organizations serving US-led globalization, of their mandate and their conduct comes as necessary to understand the globalization they promote, their successful interventions and the fallacies of their work. This assessment follows a case-by-case basis, in order to provide direct and meaningful examples of the implementation of policies suggested either by IMF or WB, for their work is usually in tandem, and some examples of WTO jurisprudence, concerning especially trade and intellectual property.

*The fortune of Structural Adjustment: an historical definition.* The major activity carried out by the IMF, by the 1980s, was the definition of advisable reforms for states to adjust downward-sloping and indebted economies and to restore stability. This package of reforms was called Structural Adjustment Program (SAP), and it was backed by a loan, called structural adjustment loan, from the WB. Policies and loans were reciprocally dependent, therefore a country in need of a loan had to accept the policy conditions of the IMF. The WB wouldn't lend without IMF approval, which was based in turn on the acceptance of conditionalities by the indebted country. Instead of limiting itself to an economic role, the IMF became the spokesmen of neoliberal reforms under the form of conditionalities. The incredible reach of IMF and WB's SAPs is due to the great amount of countries in need of loans since the 1980s, since the debt crisis broke out in the summer on 1982, when Mexico defaulted. The debt crisis stemmed from unwise lending and borrowing in the previous decades: after the closing of the dollar-gold standard in 1971 and the crisis of the dollar, Third World countries turned from official aid regime to other sources of lending, not public or conditional in nature, with lower interest rates and more freedom in policy deployment. They needed loans to service the debt of previous loans: Third World countries first got indebted in the 1960s, and in order to service that debt they got increasingly indebted in the 1970s, not under aid flows regime but in the Eurodollar market. Indeed, IMF lending diminished by 19% between 1974 and 1976, because

industrializing countries exploited low interest rates in the Eurodollar market to borrow money. However, interest rates in commercial lending were not fixed, as they were under the aid regime, rather they were variable, so that when inflation rose (mainly because of the oil crisis), interest rates rose too, thus altering the profitability of the loans taken in. In terms of trade Third World countries were going to suffer from trade deficit, for imports were cheaper and exports were collapsing, and they could not rely on commercial revenues to pay the loans back. The only way to pay previous loans was to secure new ones. This is how the crisis of debt generated. When the crisis broke out in Mexico in August 1982, many countries turned back to IMF and WB lending, which seized the moment to couple the loan to neoliberal reforms, by making loans increasingly conditional (Wood, 1986). Basically, the world turned to the IMF and the WB as the lenders of last resort, which provided for a package of instructions to get out of the crisis, devised on a “one-size-fits-all” basis. SAPs were thought to heal Latin American economies, the first arena of IMF and WB’s policies, which was characterized by outstanding government spending and inflation. Nevertheless these ad-hoc policies were later applied to other economies, like transition economies or Asian economies, failing in recognizing the diversity of these situations. The most renowned academic studying SAPs is John Williamson, who first coined the term “Washington Consensus” in 1990 in his paper *“What Washington means by policy reform”* to refer to the set of policies required by Washington bodies to support indebted countries. In this paper he listed ten advisable neoliberal reforms to be put into practice in Latin America: a balanced budget, a cut in government expenditures, tax increases to overcome fiscal deficits, higher interest rates in order to deter capital flight and to increase savings, competitive exchange rates, import liberalization, liberalization of Foreign Direct Investments (FDI), privatization, deregulation, property rights (Williamson, 1990). Latin American countries suffered from profligate governments, fiscal deficits and highly regulated markets; in this respect Williamson quotes *“Toward Renewed Economic Growth in Latin America”* (Belasa et al., 1986): *“Most of the larger Latin American countries are among the world’s most regulated market economies, at least on paper. Among the most important economic regulatory mechanisms are controls on the*

*establishment of firms and on new investments, restrictions on inflows of foreign investment and outflows of profit remittance, price controls, import barriers, discriminatory credit allocation, high corporate income tax rates combined with discretionary tax-reduction mechanisms, as well as limits on firing of employees...".* Washington's treatment consisted instead of "*prudent macroeconomic policies, outward orientation, and free-market capitalism*" (Williamson, 1990). This treatment can be rapid or slow, in the first case we call it "shock therapy" and in the second case we refer to the school of the "gradualists". History seems to give evidence that a gradual approach is healthier than a shock therapy upsetting the economy, still IMF has always preferred the latter and it has eventually blamed the slowness of countries in implementing reforms rather than the reforms themselves in case of failure. There follow two examples of implementation of SAPs, widely known for their economic performance: the miracle of Chile and the Asian economic miracle. These cases will allow me to explain in detail SAP mechanisms, their efficiency and pitfalls.

*Neoliberalism, debt and neocolonialism in Chile: the first neoliberal experiment.* The first apparently successful experiment in Latin America was Chile, depicted by the Nobel-prize winning economist Milton Friedman as a "*miracle*". Chile tripled its economy between 1970 and 1990<sup>13</sup>, reform being implemented since 1973, when the socialist Salvador Allende was overthrown by A. Pinochet on September 11 despite the results of democratic elections. It was to all intents and purposes a coup d'état, infamously supported by US secret services aiming at securing Latin America from the red menace. Socialism was seen as the great evil of the post-war years, to be fought on economic and political grounds to provide evidence that corporate capitalism achieved better performances than communism. US involvement in Latin American political affairs is not surprising, since, as many geopolitics and politicians may assert, Central America has always been perceived by the US as the natural and spontaneous extension of its territory and power beyond US frontiers; even US presidents have resorted the Monroe Doctrine to justify their foreign policy (since president Monroe stated in 1823 that Central America should be free of European colonialism, and then to its

factual reinterpretation into US economic and political subjugation of Central American countries, under the mask of multilateralism e.g. the Inter-American System).<sup>14</sup> Recalling Chilean history, after independence from Spain, gained in 1826, Chile promoted liberal policies until the great Chilean depression, when recovery was achieved through state-assisted programs like agriculture or copper nationalization, from 1930 to 1970. By 1972, inflation had skyrocketed, the balance of payments registered a deep deficit, nationalized industries weren't performing well and government was highly indebted with foreign lenders. According to WB database, inflation in Chile reached the peak in 1974, scoring 679.608%. In that moment, under S. Allende, two main political ideas divided the country: trade unions had long struggled for pro-labor policies, especially in the mining and manufacturing sectors, following the ISI project for domestic development (import substitution industrialization, which means that national industries and agriculture are supported by subsidies, tariffs on imports and protectionist strategies). The assumption that moved trade unions is that a rich internal market, provided by a developed domestic industry sector, could increase the income of households and sustain growth. The opposite model was supported by the élites, who claimed a top distribution of wealth and a high rate of imports. The winning paradigm was the neoliberal one, achieved thanks to US interventionism and to the academic support of the Chicago Boys, who studied in Chicago but eventually moved to Chile, to the University of Santiago and to the "*Monday Club*", and who, interestingly enough, were directly subsidized by the Us Cold War Programme<sup>15</sup>. Pinochet's golpe in 1973 turned Chile into another "banana republic" under US control, for the dictator fostered precisely those reforms devised *ad hoc* by US-trained Chicago Boys and summarized in "*El Ladrillo*" (*eng*: The Brick, because of the weight of the printed copy) plan for Chilean economy. Chicago Boys were part and parcel of Pinochet's government, in charge of formal relations with the IMF. According to their studies, the main problem about Chilean economy was a rising inflation and a profligate government, whose spending amounted to 40% of national income, undermining fiscal balance because it wasn't financed by revenues in taxes or profits from nationalized companies, but by increasing quantities of printed money (Harvey, 2005: 7-10). Milton Friedman's letter to A.

Pinochet on April 21, 1975, after a visit of the former to Chile, summarizes Friedman's point about Chile:

*The key economic problems of Chile are clearly twofold: inflation, and the promotion of a healthy social market economy. (...) The source of inflation in Chile is crystal clear: government spending is roughly 40 percent of the national income; roughly one-quarter of this spending is not matched by explicit taxes; it must therefore be financed by creating new money, which is to say, by the hidden tax of inflation. The inflation tax which is currently called on to raise an amount equal to 10 percent of the national income is therefore extremely heavy--a tax rate of 300 to 400 per cent (i.e., the rate of inflation)--levied on a narrow tax base--3 to 4 per cent of the national income (i.e., the value of the quantity of money in Chile in the form of currency and demand deposits). This inflation tax does enormous harm by inducing people to devote great effort to hold down their cash. That is why the base is so narrow. (...) There is only one way to end the inflation: by reducing drastically the rate of increase in the quantity of money. In Chile's situation the only way to reduce the rate of increase in the quantity of money is to reduce the fiscal deficit. In principle, the fiscal deficit can be reduced by cutting government spending, by raising taxes, or by borrowing at home or abroad. (...) In practice, cutting government spending is by far and away the most desirable way to reduce fiscal deficit because it simultaneously contributes to strengthening the private sector and thereby laying the foundation for healthy economic growth. It will therefore involve the least transitional unemployment. (...) Herewith the sample proposal: 1. A monetary reform replacing the escudo by the peso, with 1 peso = 10,000 escudos (...); 2. A commitment by the government to reduce government spending by 25 per cent within six months (...); 3. A national stabilization loan from the public to supplement the reduction of spending during the first six months in order to permit a faster reduction in money creation than in spending (...); 4. If possible, a stabilization loan from abroad for the same purpose. 5. A flat commitment by the government that after six months it will no longer finance any government spending by creating money. (...); 6. A continuation of your present*

*policy of an exchange rate designed to approximate a free-market rate. 7. The removal of as many obstacles as possible that now hinder the private market. For example, suspend, with respect to newly employed persons, the present law against discharged employees. That law causes unemployment. Remove the obstacles to establishing new financial enterprises. Eliminate as many controls over prices and wages as possible. (...); 8. Provide for the relief of any cases of real hardship and severe distress among the poorest classes. (...)*

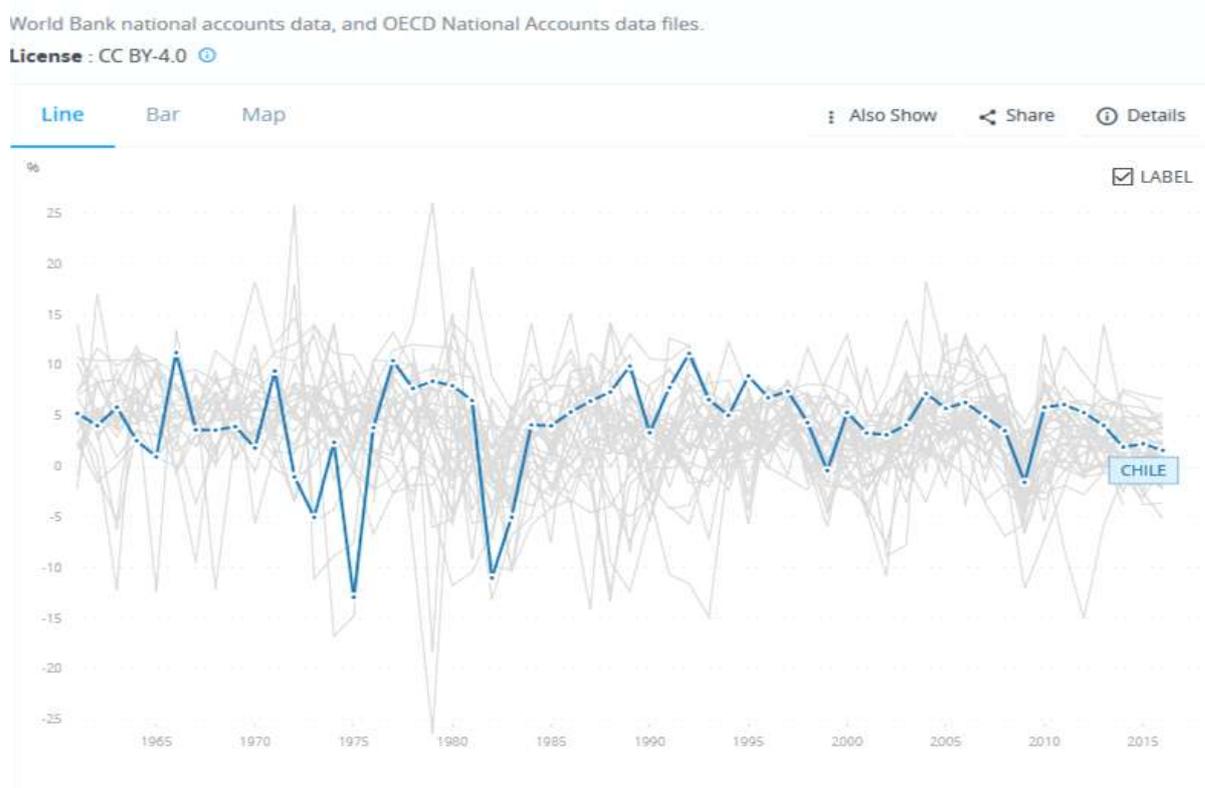
Milton Friedman, Letter to General Pinochet on Our Return from Chile, April 21, 1975<sup>16</sup>

This long quotation from M. Friedman's correspondence with the dictator gives evidence of the mainstream economics of the 1970s and it accounts for a general recovery plan for Chile. This plan foresees measures to reduce the greatest evil of inflation, to the detriment of social wellbeing and full employment, and measures to privatize and deregulate economy, for the wellbeing of corporations. The government plan, El Ladrillo, indeed followed these guidelines focusing first and foremost on limiting trade unions and popular organizations (such as health centers in poor areas and trade unions' power), in order to dismantle opposition, and in accordance with the neoliberal handbook, every kind of state regulation in free markets. The assumption is that only free markets guarantee a healthy competition and an efficient allocation of resources, so the plan foresaw the privatization of public assets, exploitation of natural resources by private corporations (except copper), privatization of social security, FDI, liberalization of trade and finance, preference for export-led growth over import substitution strategy and finally a greater flexibility of labor and wages. (Harvey, 2005 : 7-9). The effects of these policies actually fostered trade and GDP growth: trade related to GDP grew from 28,69% in 1973 to 48,12% in 1980, inflation related to GDP decreased from 414,81% in 1973 – the peak was in 1974, 678,608% - to 29,118% in 1980 (WB indicators)<sup>17</sup>. The Chilean experiment proved to be successful and it became the role model for IMF's SAPs, even if recovery was again challenged by a contagion crisis, called the tequila effect, stemming from the Mexican debt crisis in 1982. Chilean economy managed to recover through a record export-

led growth until 1989, when stagflation hit, and then, up until today, through a series of FTA (free-trade agreements), which basically means through further liberalization. Economy grew until 2008, reaching a peak of 80,79% of trade related to GDP; nevertheless recovery from the 2008 crisis, which spread from the US and hit almost the whole world, is still under way. Chilean growth related to GDP scored under-zero growth only in 1972, 1973, 1975, 1982, 1983, 1999 and 2009, proving that the neoliberal years (1973-today) suffered low growth in the first years of implementation (1975) – as foreseen by Chicago Boys and M. Friedman – and only when affected by exterior crisis (1982, 1983, 1999, 2009). Chile keeps being a regional model for Latin America, as compared to striving economies surrounding it (Figure I).

Figure I: Chilean GDP growth (annual %) compared to Latin American economies.

Source: WB indicators<sup>18</sup>



Neoliberal reforms, despite being successful in economic terms, are exceedingly expensive in terms of social wellbeing. As acknowledged by neoliberal academics, the fight against inflation goes to the detriment of full employment and income distribution. Economic reforms cannot be judged only according to GDP. Academics must take into account the social effect of monetary policies, for a government performs well if its economy performs well, but also if society performs well accordingly. On the one hand economic data confirm the performance of neoliberal reforms regarding growth, thus legitimizing Pinochet's government; on the other hand, at the same time, society was reorganized according to the principle of capital accumulation, promoting competition and the restoration of the power of the élites. This is to say that neoliberal reforms reorganize both economy and society, therefore a reconsideration of the success of neoliberal reforms on the basis of both performances is necessary. In the domain of sociology, neoliberal reforms result indeed in the enrichment and dominium of the top upper class, fulfilling redistribution of income to the advantage of the top layer of the population. According to Chilean economist Ricardo Ffrench-Davis, under Pinochet (1973-1990) growth and exports increased by 2,9% and 10,6% respectively, but also did the rate of unemployment, touching 18,1% (Ffrench-Davis, 2002: 7). This means that wealth was not redistributed: GINI index of income inequality<sup>19</sup> shows that in 1987 Chile scored 0,56, which means that Chile was halfway between equality and inequality; and poverty headcount ratio at national poverty lines scored 45,1% in 1987, meaning that barely half of the population lived below poverty line. Despite successful economic outcomes, what we have in social terms is a wide base of losers from neoliberal globalization and a narrow range of winners, say 10% top of the population, retaining profits (Stiglitz, 2002: 18; Duménil and Levy, 2013: 45-55). Growing disequilibria were dramatically not matched by safety nets, as state-assisted capitalism had been dismantled. Neoliberalism poses thus at least two problems: the first is about income distribution as related to trade increase, and the other is the lack of safety nets especially in least developed countries. Trade gains entail social costs: privatization and liberalization *per se* harm many workers and local empowerment, for many unproductive employers are fired and resort to crime, do not consume and are a burden for the state

(poverty subsidies); corporations can off-shore business because of foreign competition, or they do business simply by reducing costs and wages in order to maximize profits, again increasing social unrest; high interest rates make investment and job creation unsustainable. In many cases social costs outweigh economic gains. Massive waves of protests occurred in Chile indeed, the earlier protests in 1970s were strongly tamed by the military and they didn't make a sensation as compared to other Latin American countries. The second round of protest, happened after the debt crisis on early 1980s, addressed both neoliberal reforms and dictatorship, and it was headed by the copper workers' federation, uprising for three years from 1983 to 1986. In 1988 a plebiscite sanctioned military rule and paved the way for the return of democracy in 1989, however the Left once in power did not step away from neoliberal reforms. The advent of democracy and the partial introduction of safety nets in the 21<sup>st</sup> century have downsized social uprising, till 2011 when the outburst of youth protest gained momentum. Since 2013, under President Bachlet debate and reform of the neoliberal model has begun, at least concerning social grounds. Most recently the growth of student, feminist, environmental and labor movements push for a reconsideration of the neoliberal pattern of growth (Donoso and von Bülow, 2017 : 230-241). That is to say that on the one side neoliberal globalization allows to efficiently allocate resources, namely credit, labor, knowledge and jobs, and to increase economic gains for countries engaged in free trade; on the other side the lack of safety nets (due to deregulation) has a high social cost for the country. This version of neoliberal hyperglobalization, in which growth is sided by unemployment and poverty, is unhealthy for the social wellbeing of a country. Globalization is not bad *per se*, it is the kind of globalization that returns certain effects. Dan Rodrik explains this by a metaphor: if you want fresh air you should open your window, but if you want to avoid mosquitoes you have to fix a mosquito screen; the same happens in globalization: "*keep the windows open, but don't forget the mosquito screen*", which means keep liberalizing but don't forget to build safety nets (Rodrik, 2012: 138).

*Neoliberalism and financial globalization in the Asian Economic Miracle: the Meltzer Commission's conclusions on the future of neoliberal multilateralism.* The WB, under Japanese financial support, undertook the study of eight high-performing East Asian economies (HPAEs) from 1965 to 1990, for the latter drifted away from Washington discipline and achieved growth whatsoever. The report was called *"The East Asian Miracle"*, and it was published in 1993. It accounts for Hong Kong, Indonesia, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan (China), and Thailand. What stands out in all these economies is apparently the active role of government in providing education, reducing inequality and poverty, keeping taxes low, regulating business, fostering public-private partnerships (PPPs), creating government-based marketing institutions, thus assuring macroeconomic stability. Neoliberal academics still disagree with this path of growth, in which public policies clearly direct funds towards certain *"preferred"* sectors and they manipulate exports, thus undermining an efficient allocation of resources under market rules. A neoliberal academic would indeed state that growth in these countries was allowed not because of public policies, but despite them. He would argue that government interventions were balanced by market. Indeed, WB report highlights that government's *"selective interventions"* were either irrelevant or compensated by market-related mechanisms, consequently growth was not the result of these *"selective interventions"*, rather growth was achieved under market rules in the end:

*Financial markets, although subject to more selective interventions to allocate credit, generally had low distortions and limited subsidies compared with other developing countries. Import substitution, although an early objective of public policy in all the HPAEs except Hong Kong, was quickly accompanied by the promotion of exports and duty-free admission of imports for exporters. The result was limited differences between international relative prices and domestic relative prices in HPAEs. (...) Does this mean that selective intervention played no role in East Asia's superior growth? Our conclusion is that selective interventions were neither as important as their advocates suggest nor as irrelevant as their critics contend. (...) [when they succeeded]*

*it was because of careful screening and monitoring of projects and an orientation toward the private sector. When they failed, governments limited the damage by offering more limited subsidies than the credit programs in other developing economies. (...) The most successful selective intervention in the HPAEs – the commitment to manufactured exports – was also the most general.*

World Bank Policy Research Report, *The East Asian Miracle*, 1993

I would rather say that East Asian countries cleverly implemented reforms to both protect and stimulate the economy. “Selective interventions” addressed the problem of directing and supervising liberal reforms, especially in infant industries. Macrostability lied precisely in this balance, in this pacing, sequencing, selecting and monitoring of liberal reforms. A paced approach to globalization goes in accordance with the gradualist school and in contrast to the “shock therapy” school, which instead blames government interventions in sequencing liberalization. East Asian economies opened their markets, both to trade and finance, gradually and cunningly, devising *ad hoc* policies to allow human and physical capital to catch up with most developed countries. East Asian governments, unlike Washington consensus, shaped markets and society, directing funds to “preferred” sectors, managing exports through government institutions and spreading secondary education. They liberalized commodities markets, nevertheless they kept a protective approach especially in financial markets. By the 1990s Asian countries had to face IMF’s claims about further liberalization of capital accounts and the dismantlement of capital controls, as they were still pursuing state-assisted capitalism. Step by step, the Tigers managed to completely liberalize their markets and, according to many, the premature and roaring boom of their financial market met too much enthusiasm, despite its unsteadiness. Liberalization of the financial market led Asian banks to borrow from international banks short-term assets – mainly because it was less expensive than long-term borrowing – and then Asian banks relent that money long-term to boost the real estate sector (residential units, commercial units, etc). Unlike previous years, in 1990-1996 50% of net private

capital inflows into Thailand were short-term and in 1994-1997 62% of net capital inflows into South Korea were short-term (Eichengreen, 1999: 156). The Asian real estate market experienced a bubble: too many houses, too little demand. The borrowers who had built real estate weren't gaining, so they couldn't pay the loan back to the bank, and in turn, banks couldn't pay international loans back to foreign banks. In short, foreign lenders were eager to lend to high-performing economies, hoping to get high returns in the short term; on the other side Asian Economies got indebted lightheartedly, trusting in the growth of their economies to repay the loans. Both the lenders and the borrowers hoped in an infinite growth, generating ever-increasing profits. What if a "sudden stop" hits the economy?<sup>20</sup> If growth stops promising those profits needed to service the debt, general euphoria converts in general mistrust and foreign lenders tend to invest in other markets (capital flight). Capital flight and currency speculation deamed the East Asian economies, which were previously embedded with capital controls and now, by 1997, exposed to the risks of a wide-open financial market. Financial markets, especially currencies, strongly depend on expectations and credibility to maintain stability, once the government is out of the game. East Asian economies were losing both the investors' trust and government's room for action, two factors that had previously always played in their favor. Let's make a theoretical example to understand how market self-rule in terms of expectations: theoretically, if a broker expects a "x" currency to devalue (less profit), he will exchange that "x" currency with another more profitable "y" currency (capital flight), thus leaving a lot of "x" currency on the market. The latter currency suffers even more pressure on devaluation, for there will be too much supply of that currency and too little demand to sustain its value. Empirically, this is what happened to the Thai Baht, marking the very beginning of the crisis: speculators expected the Thai Baht to devalue, so they sold all Baht assets and they bought assets in any other currency, thus weakening the Baht. When the supply of Baht exceeds the demand for Baht (this is the case, because all investors were moving out of Baht), the value of the Baht falls; at the same time even the trade deficit falls, because Baht exports become cheaper. In order to avoid devaluation, the government generally intervenes by selling foreign currency and buying local currency. But central

banks can draw down foreign reserves as long as they hold foreign reserves, and when reserves are over, then speculation on future devaluation acts as a self-fulfilling prophecy. In short, traders sold Baht assets, Baht assets exceeded on the market and a devaluation came as necessary; then, speculators bought the low-priced Baht, thus making profit. This means that in terms of future international expectations, East Asian massive short-term borrowing was risky and when capitals flew the East Asian economy, they stopped producing the hoped-for profits. Loss of confidence by international investors and speculation, coupled with a housing bubble (due to deregulation, capital account liberalization and deficit in demand), doomed the East Asian markets. Then crisis spread and infected Indonesia, Malaysia, South Korea, Philippines, Hong Kong, Taiwan, Singapore, Russia, Estonia, Australia, New Zealand, Turkey, Argentina. This contagion is commonly called “*The Asian flu*”, a crisis due both to short-term indebtedness that bets on alleged future growth, and to speculation. (Reinert, 2011: ch. 18). Both short-term indebtedness and speculation are in their turn typical of a free financial market, as the one fostered since 1971 by neoliberal globalization.

One of the main ingredients of the neoliberal recipe exported by the IMF and the WB – and consequently, one of the main ingredients of the Asian flu - is financial liberalization. Historically, it was the IMF – namely, Washington - that pushed for capital account liberalization before the crisis hit East Asian countries. Historically, financial liberalization was fostered by the US after the closing of the gold-dollar window in 1971, and officially in 1973, when flexible exchange rates prevailed over capital control and fixed exchange rates, thus inaugurating an era of currency instability. However, the formal birth of capital liberalization can be traced back to 1976, when IMF Articles of Agreement were revised in order to include rules on the exchange rate regime (Art. IV). Since then the lure of free capital movements has been seducing economists, to the extent that it was exactly in 1997 that Michael Camdessus (managing director of the IMF from January 16, 1987 to February 14, 2000) addressed the IMF Board proposing an amendment to enhance capital mobility; however, the latter never passed as a consequence of the Asian crisis, that stressed the drawbacks of capital mobility

(Rodrik, 2012: 104). As I have previously said, the Asian crisis was a combo of deregulated financial markets and a housing bubble, which in turn were due to poorly regulated financial markets and short-term borrowing. So, it wouldn't be misleading to state that inappropriate capital account liberalization – or rather, neoliberal financial globalization - was the real pathogen of East Asian economies. Paradoxically, despite the fact that it was exactly neoliberal deregulation the reason for the slump, it was a neoliberal body, namely the IMF, that promptly advanced solutions to recover, lacking alternatives. Actually, there was an alternative to neoliberal recovery, but US unilateralism played against it: Japan had suggested the creation of the Asian Monetary Fund , fueled with good currencies' money to help other Asian economies to recover through expansionary measures, contributing personally to the fund with \$100 billion. The IMF hindered the formation of this regional body, because a counterbalancing institution on the other side of the ocean would have been destabilizing and possibly threatening for neoliberal globalization. Japan – and as of today China – indeed follow a different kind of globalization, still liberal, but with a different pattern of growth, which has been described as the extension of “Keynesian” globalization (Rodrik, 2012: 142-155; Stiglitz, 2002: 180-185).<sup>21</sup> Once the IMF got rid of the Asian Monetary Fund, it celebrated globally its role as lender of last resort again, proposing SAPs to East Asian countries in exchange for loans. Total bailout package was \$95 billion to keep exchange rates stable, avoid capital flight and repay previous loans to foreign creditors (the majority of which were western-based). Structural adjustment was basically copy-pasted from Latin America, including deregulation, financial and trade liberalization, an increase in interest rates, a tighter fiscal policy and a “small government”. The IMF explanation for the crisis is that East Asian states pursued too much state intervention, corruption between state and corporations run rampant (so called crony capitalism) and liberalization was slow and uncompleted. To say it simply, Asian countries had not liberalized enough. In such situation, in order to repay the loan, countries had to subject themselves to IMF conditionalities and to painfully contract their economy. Conditionalities unluckily – and unsurprisingly - did not solve the East Asian problem, exactly because they were not thought for East Asian countries. These policies had a sharp

and venomous effect instead. Take Thailand as an example: before 1997 the Thai Baht was pegged to the dollar (25 Baht per dollar), then in June it was devalued by 25%. Government tried to maintain a stable exchange rate, exhausting foreign reserves to buy Baht; unluckily, on July 2, 1997 speculative pressures put the Baht under a floating exchange rate. On July 27 Thailand resorted to IMF's help and finally in August the government agreed with IMF on a rescue package worth US\$17 billion (Reinert, 2011 : 317). By 1998 poverty rate in Thailand reached 1 million people and 21 million people in Indonesia. Thai government instead of bailing out wanting banks, it liquidated the most indebted ones (approximately 60 financial companies) and in 1998 the Baht had fallen by 63% from 1996 (from 25 THB/US\$ to 41 THB/US\$). By 1999 the Asian flu had involved Malaysia and Indonesia. Indonesia experienced a 327% fall in her currency, from 2342 IDR/US\$ in 1996 to 10013 IDR/US\$ in 1998. In the same period, South Korea saw a decrease of 74% of the value of its currency, from 804,5 KRW/US\$ to 1401,4 KRW/US\$.<sup>22</sup> In Thailand 15% of males workers were out of work, and the percentages were still higher in Indonesia and Korea. GDP continued to fall and it didn't catch up with pre-crisis levels (Stiglitz, 2002: 97). IMF guidelines concerned interest rates, fiscal austerity and structural reforms (notice that the latter should be devised by the WB according to mandates), ending up by suppressing growth, for higher interest rates hindered domestic loans and investments for entrepreneurs, and higher taxes were inappropriate for it was not the government itself who had got indebted but private banks instead. Krugman (1999) notices that *"IMF demands, aside from raising suspicions that the United States was trying to use the crisis to impose its ideological vision on Asia, more or less guaranteed a prolonged period of wrangling between Asian governments and their rescuers, a period during which the crisis of confidence steadily worsened"* (qtd. in Reinert, 2011 : 319). Particularly striking is the case of Indonesia, which sheds light on both IMF blindness and US unilateralism: IMF director M. Camdessus and Indonesian president Suharto come to the agreement that subsidies to food and energy were to be eliminated, currency devalued (making goods more expensive, less affordable) and 16 insolvent banks were to be closed. Rioting compelled president Suharto to oppose the plan and to resign (Reinert, 2011: 320).

IMF's failure, despite IMF denying it and blaming instead Asian governments' laziness, was crystal clear even to leading US economists, who sided against its intervention in East Asia, like former US secretary of State George Shultz and the economists Jeffrey Sachs and Jagdish Bhagwati, and more importantly the Meltzer Commission. The Meltzer commission was appointed in 1998 by US Congress to study the role of multilateral organizations in future US foreign policy and in 2000 it published the final report basically focusing on the activities of IMF and WB relative to their mandate. The report actually focuses on seven institutions: the IMF, the WB, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the WTO and the Bank for International Settlements; however, the core of the report is dedicated to the analysis of IMF and WB. The report, named after the chair A. Meltzer, stresses at least two main aspects:

1) the disclosure of IMF and WB work from their mandate to provide for macroeconomic stability and to reduce poverty: A. Meltzer states that *"long-term loans for emerging market economies should be the responsibility of the development banks. The Commission shares the World Bank's view that its mission and the mission of the development banks should be a reduction of poverty in developing countries"* (Meltzer Commission, 2000: 7), suggesting that present debt should be written off and new loans should be conceded by development banks under the form of grants. In the following contribution by C.W. Calomiris IMF and WB performance are evaluated as *"deficient"*, for *"they often failed to achieve their goals, even by their own internal measures"* (Meltzer Commission, 2000: 13), because IMF was not thought as a lender of last resort for long-term conditional loans. Instead, the commission proposes a pre-qualification mechanism that allows immediate lending in case of liquidity crisis, avoiding thus conditionalities and restating the role of IMF as short-term lender to achieve urgent macrostability: *"Our proposal to limit emergency lending to the IMF follows directly from the principle that separating the functions of various multilaterals promotes greater effectiveness and accountability. Under our proposal the IMF would have the capacity to deal with all bona fide liquidity problems that would arise"* (Meltzer Commission, 2000:

24). The World bank should be instead deprived of financial claims, whose function is to be taken by development banks (especially local or regional development banks). Structural reform should be the domain of WB and development banks.

2) The use of multilateral financial institutions as a tool for US foreign policy: *“The World Bank and the IMF should not and cannot continue to serve the ad hoc political purposes of broad foreign policy”* (Meltzer Commission, 2000: 12), and it lists among basic requirements for future reform strategy the need for respecting member countries’ sovereignty. Mr. C.W. Calomiris later explains that *“it is desirable that IMF and WB focus on economic objectives rather than pursue that broad role. (...) I learned from a knowledgeable insider that the negotiations between the IMF and Pakistan right now are being held up by the US insistence that Pakistan sign a nuclear nonproliferation treaty. Now this is a laudable objective, but is the IMF the right tool for accomplishing that objective (...)? I believe it is not.”* (Meltzer Commission, 2000: 17). *“To some, The IMF and the development banks should be used as a cost-effective vehicle for “leveraging” US foreign policy (...) Aid can be delivered, and the embarrassing deals that lie behind it are not easily traced. (...) The view that the multilaterals should serve the broadly and flexibly defined goals of US foreign policy is wrong for at least five reasons. First, (...) [it] undermined their effectiveness as economic mechanisms. (...) Second, (...) [it] forces the management of these institutions to depart from clear rules and procedures to accommodate ad hoc political motivation. This undermines their integrity (...) and leads to erosion of popular support (...). Third, (...) [it] is no small cost to bear (...). Fourth it is worth considering the adverse impact that loans from multilateral lenders with non-economic objectives can have on emerging market countries (...) Finally (...) a decade from now the global economy will be much more polycentric (...). Multilateral agencies focused on bona fide economic objectives, with a more decentralized administrative structure (...) will fit the global economy of the future better than the current structure, which is rooted in and subservient to the broad goals of US, or G7, foreign policy.(...)”* (Meltzer Commission, 2000: 25-26).

This report offers many elements to consider a reform of multilateral institutions, which comes to be imperative after the Asian financial crisis. The latter has historically represented the momentum for debate, the stroke that broke the camel's back for all multilaterals misdoings. Walden Bello goes as far as saying that the Asian Crisis marked the ultimate defeat for the IMF, comparing it to the defeat of the Nazis in Stalingrad during World War II (Bello, 2004: 66). Alternative to the reformist strategy, the abolitionist trend claims instead the end of Bretton Woods bodies and US-led multi-unilateral globalization (for instance, George Shultz). The Asian financial crisis symbolizes the watershed between trust and discontent in multilateral institutions, with all global civil, academic and political society casting doubts on their efficacy. Some attempts of reform in the IMF tried to redirect the goal of the Fund towards the elimination of poverty, for example by replacing the extended structural adjustment facility (ESAF) with the poverty reduction and growth facility. Discontent over IMF and WB, despite these little changes, kept on growing, especially after the Clinton administration (1993-2001). Unilateralism under the cover of multilateralism, in other words the instrumental use of Bretton Woods institutions (actually not only IMF and WB, but also WTO - as I will argue in the next section - and to a certain extent even the UN, take Iraq as an example), starting from the 21<sup>st</sup> century has been subject to intense and widespread criticism.

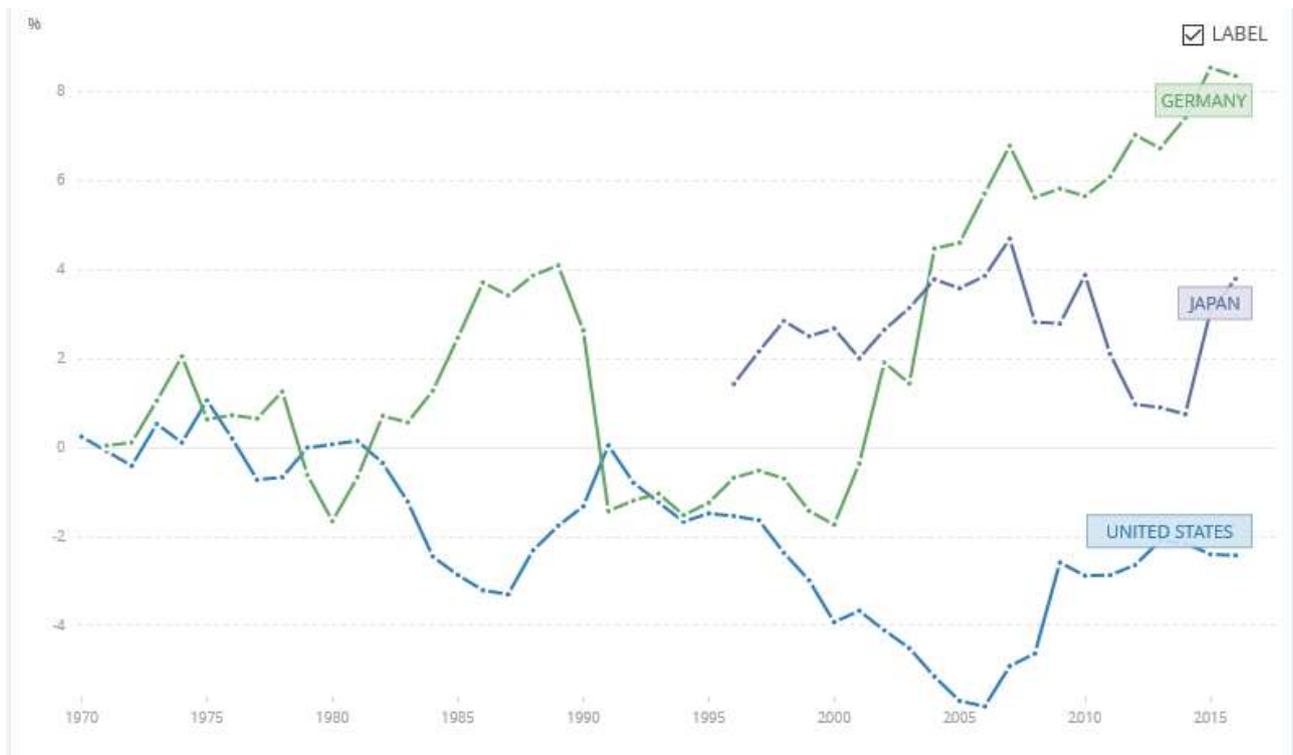
*Unfair Fair Trade: WTO superpower and supranationalism.* Historically, the WTO has an ancestor which never entered into force because US Congress vetoed its charter in 1950. The International Trade Organization thus died before even being born, because no other states proceeded to ratify it once the US rejected the chart, being the US the main industrial leader in post-war years. Forty four years later world balance of powers undoubtedly changed, since the US this time changed its mind and did ratify the Marrakesh Agreement, not only committing to trade liberalization in goods, but also to agriculture, services, investments (TRIMs) and intellectual property rights (TRIPs), without complaining about domestic independence as it did in 1950. This shift in US stance is evident in the field of agriculture, which was not really liberalized in GATT 1947, while

during the negotiations of GATT 1994 at the Uruguay Round (1986-1994) the US pushed for the free flow of agricultural products, denying Third World countries the same protectionist measures it had fought for some decades before (see page 22).<sup>23</sup> WTO establishment, as well as previous GATT 1947, was deeply dependent on US terms and conditions, since the US lobbying contributions have always somehow shaped the final outcomes of these treaties. In 1994 the US needed to establish a multilateral body to manage trade issues, as the US had been facing rising international competition from the European Union and Japan since the 1960s and it had seen its market flooded by Third World's products, which were putting pressure on American manufactures. As Charles Maier simply summarizes, the US by the 1960s started converting from an empire of production into an empire of consumption (Maier, 2007: 198-237; 255-277), demanding increasingly more goods, whose production was willy-nilly partly American and partly off-shored. The situation thus changed by 1980, the US was importing more than it was exporting, unlike post-war years: foreign goods had caught up with US ones, as know-how and industrialization had spread all over the world; meanwhile, the Americans were specializing in services, rather than goods, whose production was instead outsourced to low-cost labor countries. If in the 1960s this problem could be dealt with relatively easily, for the US could sustain trade deficit by printing dollars - and by exporting inflation - and foreign investors were willing to buy dollar assets; by the closing of the gold window in August 1971 and the following oil crisis in 1973 and 1978, the international standing of the dollar was questioned and the US had to devise a new strategy to exercise international leverage. The US was directly challenged by the newly-born European Economic Community (EEC, established in 1957 with the Treaty of Rome and later renamed European Union in 1992 with the Maastricht Treaty), and by Japan, the only non-western country to industrialize before 1914 through state-assisted capitalism and protectionism. As shown in Figure II, the US scored almost a positive balance until 1975 (current account balance is calculated by subtracting import to exports, so until 1975 in the US exports either equated or overtook imports), then the US kept on importing more than it was exporting. Japan and Germany (taken as representative for EU performance) scored almost always above-zero rates,

meaning that exports exceeded imports, unlike US balance of payment. The US couldn't rely on a strong dollar anymore, therefore it started relying on a new kind of power: the power of free trade, set forth by a new multilateral body - the WTO – , that allowed it to overcome barriers to trade and to re-establish its - global -decisional power.

Figure II. Current Account Balance (% GDP).

Source: WB indicators<sup>24</sup>



Free trade was not a novelty at all, it was ongoing since the recovery from World War II: mentioning some data, between 1948 and 1990 the volume of world trade increased by nearly 7% per year (Rodrik, 2012: 71), under the auspices of GATT 1947. However, GATT 1947 was a Keynesian tool, meaning that while it still made the case for free trade, it saved primacy for domestic adjustments and national developmental strategies: saying it simply, it promoted free trade as long as domestic policies fell in line with it, so free trade was actually free only where it did not trouble domestic equilibria, values and institutions. Moreover, it only concerned merchandise, allowing protectionism of clothing industries in LDCs, quotas, voluntary export restrictions (VERs) and Anti-Dumping Duties.

The new Marrakesh treaty, creating the WTO, was instead a neoliberal tool according to which domestic policies and international trade stand in the opposite relationship if compared to GATT 1947: domestic policies become secondary to trade and finance, "*Trade is über alles*"<sup>25</sup>, above culture, environment, domestic institutions, employment, politics; free trade becomes the regulatory, the institutional principle of global trade. This shift is subservient to US interests, as history and economy can prove: a multilateral body stressing free trade was born only when the US felt it couldn't rely on the dollar and on the industrial sector's performance anymore, when a new balance between economic powers was mandatory for the US to maintain global guidance.

The US secured an undisputed decisional prominence through outstanding contributions and veto power at WTO, building its hegemonic empire on the logic of free trade and multilateralism. WTO mechanisms at a glance may confirm the assumption of US "hidden" guidance on it: as of 2016, the WTO accounts for 164 members and a dozen of states waiting for accession, accession entailing negotiations on rights and obligations towards the WTO, which, unlike GATT 1947, boasts a binding international court to give hearing to trade disputes, called Dispute Settlement Body (DSB). WTO is thus composed of a Ministerial Conference meeting every two years, a General Council, a Trade Policy Review Body, the DSB, many Committees, the Councils on Trade, Services and Intellectual Property Rights (TRIPS) and the Secretariat. According to the Marrakesh Agreement of 1994, replacing GATT 1947, the charter of WTO is based mainly on four principles: non-Discrimination, bindingness, fair trade and general prohibition of quotas. Non-Discrimination is best described by two clauses regarding trade, namely the Most-Favored-Nation Clause (MFN) and the National Treatment Clause (NT): a state should grant the same terms of trade to all members and foreign goods must be treated as domestic goods concerning tax and regulations, so that no discrimination among member States in terms of prices, taxes, reductions, tariffs may take place. The other three main principles refer to the preference for tariffs over quotas and the legal status of subsidies, duties, antidumping duties and tariffs, with the main goal of avoiding trade distortions and barriers

imposed by domestic policies. For example, domestic agricultural policies are classified in boxes according to the level of government subsidies: the amber box means that a state intervenes through subsidies beyond limits (5% of agricultural production for developed countries and 10% for developing countries), as of art. 6 of the Agriculture Agreement; the blue box means that there is room for state intervention as long as quantity of products is fixed, as of art. 6 of the Agriculture Agreement; the green box means that subsidies do not distort prices, as of art. 2 of the Agriculture Agreement. The conversion of quotas into tariffs has been labeled "*Tarrification*" and this process has become relevant in textiles and agriculture mostly, the most debated issues at WTO. Regarding voting power, if the formal goal of WTO is to achieve equality among members States, whose voting powers formally foresee the rule one-state-one-vote, in reality they informally follow the rule of consensus, meaning that decisions are taken unless someone objects (at least one formal opposition). The practice of consensus deprives LDCs of the strength of number, making them extremely conditioned by DCs' leverage on an almost bilateral basis. Many decisions moreover are not taken in formal plenaries, but during private consultations between some selected members States (called green rooms), thus again limiting the opportunities for LDCs to unite and make strength in numbers (see also page 23). At a further analysis WTO appears not to be an equal tool for every country to defend one's interests and to allow free and fair trade. Investigating the pros and cons of WTO functioning in relation to LDCs, GATT 1994 has removed national policy tools to enhance domestic development, like import substitution, and by liberalizing agricultural markets it profoundly favors cheaper Northern products; TRIMs hinders the independent national allocation of capitals, blocking subsidies and many forms of domestic investment; TRIPs hampers technology transfer, protecting instead western knowledge-intensive industries (like pharmaceuticals), which are more and more accused of biopiracy<sup>26</sup>; and discussions at WTO general assembly do not favor equality, for LDCs, lacking a strong coalition, cannot counter the western coalition's lobbyist activities (QUAD, made up of the US, Europe, Japan and Canada), and many discussions are held behind closed doors or at bilateral level preventing LDCs to establish a common strategy (green rooms).<sup>27</sup> LDCs

accepted these intrusive conditions in exchange for access to agricultural and textile Northern markets, which were not completely liberalized under GATT 1947, even if with hindsight this trade-off benefited more DCs in the end. To a certain extent, both in agriculture and textiles DCs' promises of opening up their markets have not been fulfilled as in 2001, at the Doha Round, LDCs strongly demanded the complete liberalization of western markets (Cavanagh and Mander, 2004: 70-72).<sup>28</sup> Paradoxically, western countries tend to prolong the process of dismantling barriers to trade in their markets, with the evident scope of protecting labor and industries, while they expect LDCs to open up straightforwardly. In this sense, WTO fits in the framework of US multi-unilateralism that imposes the same "one-size-fits-all" narrow-minded liberalization to the rest of the world, while promoting its own interests at home even by not being consistent with its own dictates (maybe "one-size-fits-all-the-others" would be a more truthful wording. The cases in the following pages better describes this paradox). This is why it is commonly referred to as unfair fair trade, for it does not return the promise of distributing power and gains, as it was formulated by Ricardo's theory of comparative advantage.

Moreover, free trade theories based on comparative advantage promise mutual gains when entering a free global market, WTO serving precisely the need to enter foreign markets. As far as economics are concerned free trade theory may seem not only feasible, but also beneficial; nevertheless, allocation mechanism in markets are merely economic calculations, while domestic markets are also intertwined with state regulations concerning safety nets and markets' negative externalities (unemployment, pollution and the like). Despite neoliberal theories of small government, these regulations are particularly precious in domestic markets since they provide for a framework for market activities, whereas WTO rulings weaken exactly these regulations (tax system, food security, environmental regulations and the like), ending up by jeopardizing the proper functioning of international markets. In a WTO regime what we have is a global market without a global government, unable to internalize its diseconomies, for it lacks global rules to do so (labor or

environmental rights for example). In economic terms, Dan Rodrik sums up this principle by saying that “*the more open the economy, the worse the redistribution-to-efficiency ratio*” (Rodrik, 2012: 58), meaning that in a global liberalized economy some costs are dislocated and markets fail in distributing them. There arise global inefficiencies in dealing with a global market devoid of an institution in charge of its externalities and inconsistencies (monopolies, lobbies, development, fair trade, environment, labor and human rights, the commons, biodiversity, justice, sustainability, equality, food security, health). There follows a list of examples of what I mean by externalities and inconsistencies of WTO trading regime, questioning the neoliberal principle of *Trade über alles*:

- *Trade über health: hormone-treated meat and GMO*. The dispute starts before WTO’s birth, when a European directive coming into force in 1989 blocked permanently exports of US beef treated with one particular hormone (estradiol-17 $\beta$ ) and provisionally other five growth hormones, on the basis of the precautionary principle on hormone-treated meat. Lacking scientific research on the issue (neither the World Organization for Animal Health nor FAO and WHO were investigating on the issue), the US couldn’t appeal until WTO establishment in 1996, invoking infringement of arts. 3 and 11 of GATT 1994, arts. 2, 3 and 5 of the SPS Agreement (Sanitary and Phytosanitary Measures), art. 2 of TBT Agreement (Technical Barriers to Trade) and art. 4 of the Agreement on Agriculture. The first Panel ruled against EU on the basis of SPS Agreement in 1997, then the Appellate Body confirmed the ruling in 1998, for in absence of proper scientific research supporting the ban EU was found guilty. In 2005 the EU started a case against the US and Canada, for the latter were implementing retaliatory measures. In 2008 the Appellate body found them all guilty, thus allowing the US and Canada to keep retaliatory measures and the EU to keep the ban on hormone-treated meat. The US and EU have so far agreed on Memorandum of Understanding (2013), still, as of 2018, EU has not complied with WTO ruling, risking again retaliating measures from the US (Rodrik, 2012: 79-80). Another case-study involving the US and the EU on risk assessment and health issues is undoubtedly the GMO dispute, started in 2003 by the US claiming that EU 1998 moratorium on biotech products

strongly belittled the quantity of imports from the US. The US invoked arts. 1, 3, 10 and 11 of GATT 1994, art. 4 of the Agriculture Agreement, arts. 2 and 5 of the TBT Agreement and Annexes B and C of the SPS Agreement. The final report was issued in 2006, finding EU inconsistent with WTO rules, especially in the wake of poor risk assessment. EU and US agreed on a transition period to implement WTO ruling. As of 2018 hearings are still in progress between EU, US, Canada and Argentina.<sup>29</sup> Despite the lack of information proving either benefits or risks of GMO and hormone-treated meat, countries applying health security measures have been contrasted by WTO ruling.

- *Trade über equity: the Aluminum & Uranium cases.* The Aluminum case involves the US and the Russian Federation, starting from 1994. After a fall in aluminum prices, the US accused the Russian Federation of dumping aluminum prices and, in order to protect domestic aluminum industry, the head of Alcoa (first world producer of aluminum) proposed to establish a global cartel to limit the supply of aluminum and thus to raise the price. Cartels are illegal in the US and according to WTO rules, still State Department and National Economic Council endorsed the proposal, to the detriment of global competition, by hiding monopoly and special national interest under antitrust laws and by promising the Russian Federation an equity investment of \$250 million. The cartel only worked for a year, it was dismissed in 1995, nevertheless it proves that national interests manipulated dumping and anti-trust laws to cover a monopoly. This paved the way for the Russian Federation to emulate the US: in 2000 an aluminum cartel was born, controlling 80% of Russian national production and dismantling competition. The Uranium case deals with privatization instead: the US invoked fair trade laws and antidumping duties to prevent an American governmental enterprise from purchasing uranium from Russian deactivated nuclear warheads. Russian uranium, according to American producers, was sold at below-than-market level price. Meanwhile the government enterprise in charge of enriched uranium was going to be privatized, thus making impossible any government recommendation on providers; so, in order to avoid Russian imports, the enterprise was renationalized and fueled with subsidies. These examples show that the US preaches extensive liberalization, but it does not comply with it first-hand, posing limits to international competition and

ignoring cheap imports to satisfy local producers. The US appealed to antitrust duties just to cover those protectionist measures it fights against in the rest of the world (Stiglitz, 2002: 173-179).

- *Trade über environment*: the number of WTO rulings against eco-friendly laws and initiatives is definitively appalling and worrisome. The first trial to modify domestic environmental laws was issued against US Clean Air Act by Venezuela and Bolivia in 1996. The Clean Air Act restricted the use of low-quality fuels, thus limiting the complainants' exports of gasoline in the US. Invoking art 3 of GATT 1994, Clean Air Act was judged inconsistent with WTO rules and therefore the US had to amend it, otherwise it should have paid compensation to Venezuela up to \$150 million per year.<sup>30</sup> WTO rulings have so far touched also energy programs related to renewables and sustainable development, such as Ontario, Chinese and Indian solar plants cases. Ontario is Canadian region where, according to Canadian government's 2009 legislation to boost renewable energy, was issued a plan to convert coal plants into sustainable energy plants by 2014. Such an ambitious plan was headed for small and medium economic players and it provided for a feed-in tariff program, meaning that producers of renewable energy could sell it back locally at premium rates (buy-local clause). Japan and the European Union appealed to WTO rules, since Ontario renewables were preventing offshore energy from entering the market. In 2013, WTO ruled against Canada for locally-provided energy hindered international trade. Ontario, to comply with the ruling, put an end to buy-local provisions and subsidies for large-scale renewable energy plans, thus indirectly fostering coal production (Klein, 2014: 65-70). This ruling was followed by similar WTO rulings against other green energy programs in India and China. India launched to a plan to enhance the solar renewable energy sector through government subsidies, called India's National Solar Mission, which in a few years reached a broad supply of megawatts (5,000 Mw) and aimed at doubling its capacities, ranking in the world's most efficient solar-producing panels. The plan contributed to climate agreements requirements to reduce pollution-intensive sectors and promote renewables. Though, in 2014 the US brought India before WTO's DSB, claiming that India local subsidized solar panel plan hurt directly US solar panels exports, infringing the national treatment clause (art 3.4 GATT 1994), and provisions on

investment and subsidies (art. 2.1 TRIMs and arts. 3.1(b), 3.2, 5(c), 6.3(a)(c) and 25 of the Subsidies and Countervailing Measures (SCM) Agreement). Paradoxically almost all renewable energy plans include a “buy-local” mechanisms to enhance domestic energy independence, including the ones in the US.<sup>31</sup> WTO Panel decision was announced on February 24, 2016, condemning India’s renewable plan despite India resort to art. XX(j) and (d) of GATT 1994 concerning local short supply and compliance with international laws on sustainable development. India appealed to the Appellate Body in vain, which ruled in September 2016 against India, who had to suspend the national solar plan.<sup>32</sup> Another recent troubling case involves China’s export restrictions on rare earths, tungsten and molybdenum, generally used in electronic goods. The US brought the case before DSB in 2012, according to arts. 7, 8, 10 and 11 of GATT 1994 and many provisions of China’s protocol of Accession; China resorted to provisions on the conservation of exhaustible natural resources and reduction in pollution to justify the presence of import duties, export quota, and export restrictions. In 2014 the Panel report condemned China for fostering domestic policy goals and industries, and later the Appellate Body endorsed the same conclusions.<sup>33</sup> WTO rulings address also biodiversity and animal protection, such as in the cases concerning US Marine Mammal Protection Act and US Endangered Species Act. The first act, which protects dolphins from industrial tuna fishing, was challenged both by Mexico and by the EU according to arts. 3 and 11 of GATT 1994 (European states played as intermediary actors in the banned tuna products export to the US), but in the end the report was never adopted, as countries engaged in bilateral negotiations. The act on Endangered Species attempted to protect sea turtles by limiting shrimp imports from India, Malaysia, Pakistan and Thailand. Actually the Appellate Body report recognized the right to protect endangered species and resources under art. XX of GATT 1994, still the US lost because they had been financing Caribbean fishing, thus discriminating against India, Malaysia, Pakistan and Thailand. Finally, WTO affirmed its superiority over MEAs (Multilateral Environmental agreements) at the Doha Round in 2001.<sup>34</sup>

- *Trade über national development*: a relevant case is US/EU vs. India-Autos, brought before the court in 1998, when India was accused of distorting imports of car components, pursuing arts. 3 and

11 of GATT 1994 and art. 2 of TRIMs. In 2001 the Panel report noticed that India acted inconsistently with WTO rules, limiting imports of car components and promoting instead “indigenization”. India withdrew its appeal and implemented instead a new auto policy to the detriment of local development.<sup>35</sup> The same dispute involved China in 2006, accused by Canada of limiting imports of vehicles and introducing tariffs to imports exceeding certain amounts. This was found in violation of art. 2 of TRIMs, art. 3 of SCM, arts. 2 and 3 of GATT 1994 and provisions of China’s protocol of Accession. The EU and the US sided with Canada in denouncing China. In 2008 the Panel report and the Appellate Body found that China was infringing WTO free trade rules.<sup>36</sup> Another case of trade law blocking domestic policies to sustain industry concerns Brazilian credit line for aircraft industry in 1999. According to arts. 3 and 27 of the SCM Agreement, Canada complained that the Brazilian government was granting undue export subsidies to the Brazilian Programa de Financiamento às Exportações (PROEX) to foreign purchasers of Brazil’s Embraer aircraft. The Panel report and the Appellate Body report, despite different interpretations, convened that Brazil had to dismiss export subsidies. In 2000 a Compliance Panel report found that Brazil hadn’t complied with the ruling yet, allowing Canada to ask for countermeasures.<sup>37</sup> The bananarama dispute, fought between the US and the EU, instead challenged EU favorable trade conditions granted to former colonies in trading bananas. US endorsed Chiquita claim that the EU was discriminating, infringing arts. 1,2,3,10,11 and 13 of GATT 1994, the Agreement of Agriculture and the Import Licensing Agreement. In 1997, the Panel condemned EU import regime, which had to modify its import rules, nevertheless US launched retaliatory measures (import duties) as EU amendments were not satisfactory. Hearings between countries finally lead to an agreement in 2009.<sup>38</sup>

- *Trade über the commons: the privatization of the commons.* Some goods and services are generally considered out of trade and ownership, and they are instead considered collectively owned since ever. Traditional commons are water, air, animals, culture, folklore; modern commons are quite a new concept and they generally refer to Internet, human rights, security, broadcast spectrum. Commons may be global, like air, or local like folklore. The main feature of the commons is that they

are non-excludable. Neoliberal mindset challenges this principle and furthers privatization of the commons, considered tradable services: WTO and NAFTA define water as a commodity, TRIPs allows corporations to patent indigenous knowledge (medicinal herbs, seeds, genes etc. This is perceived as a theft by local cultures who define this act as “biopiracy”), and WTO current negotiations attempt to enlarge the scope of GATS to include public services (to a certain extent this is already happening, for instance in US and Canada Mitsubishi runs social security, in France Disney has offered to administer the Louvre, Shell Oil is going to manage transports and roads in Japan) (Cavanagh and Mander, 2004: 105-136).

The expanding powers of the WTO, especially fostered at the Doha Round (2001-x), encompass all fields of human activity, everything being tradable today, apparently even the commons in the near future (just think about the recent citizens’ initiative in EU “Right2Water”, putting a brake to water privatization; this means that the issue is more urgent than we imagine). Ongoing proposals concern the privatization of public services (health care, education, media, entertainment, etc) and the hindering of local preference policies. The striking fact is that trade seems to patronize over politics in a neoliberal framework that supports free trade to the detriment of good national policies. Particularly compelling is the call to fight climate change through environmental laws, promoted at multilateral level in MEAs, but hindered by leveraging multilateral institutions. This is apparently nonsense, for state must comply at the same time with regulations defending free trade over all restrictions, and with regulations strengthening restrictions. The effect of WTO omnipotence is a ratcheting of environmental, labor, health standards in member States, because when implementation of fairer standards hurts international trade, countries are bound to adjust to WTO rulings anyway. As long as trade superiority over other issues remains undisputed, or incredibly enough confirmed in case of debates as it happened in the Doha Round regarding MEAs, the international law system faces the risk of further dismantling the poor regulations still in place in national legislations, that struggle to handle free trade externalities. Negative externalities are not

properly dealt with at international level, especially because multilateral bodies addressing these issues are submissive to WTO's rule of law. The intrusiveness of WTO rulings over national sound legislation has so far led to many disruptive amendments in national policy, which represent the only mechanisms trying to address international free trade pitfalls. Existing multilateral organization do not provide for supranational standards able to address today's problems. International multilateral institutions present thus two main fallacies: the lack of an institutional framework for the market and the increasing tensions between international deregulation and local regulation. It comes to be that *"if states are indispensable to the operation of national markets, they are also the main obstacle to the establishment of global markets"* (Rodrik, 2012: p 21), posing a challenge to 20<sup>th</sup> century multilateral globalization. Neoliberal globalization preaches the retrenchment of government from the economic arena, while the most pressing issue is exactly regulation. Dan Rodrik simply portrays it as a *"global governance without a global government"*, a picture that questions the effectiveness of neoliberal multilateral globalization. Globalized markets in a system of national or regional integration do not provide yet for a political regulatory framework, even if some steps ahead can be noticed. The more integrated example of a custom union, longing to become in the next future maybe even a political union, is the European Union. However, despite the efforts of the EU to integrate both economics and politics in a regional union, as of 2018, political sovereignty is still firmly detained by national and domestic constituencies, who are not willing to cede power to supranational bodies especially after the management of the 2008 crisis. EU regulation of more-than-economics issues is therefore still limited. EU competences, according to the Treaty of the European Union (TEU), indeed foresee three levels of "power sharing" with members States: on common commercial policy, international agreements, monetary policy, fisheries and competition rules the EU holds exclusive competence (art. 3 TFEU); the EU equally shares decision power with members States in fields concerning social policy, regional policies, internal market, environment, agriculture, consumer protection, transport, energy, security and justice, research, public health and humanitarian aid (art. 4 TFEU), meaning that countries can legislate over these issues as long as the

EU has not legislated yet; finally, power is held by national constituencies in industry, culture, health, education, tourism, with the EU supporting harmonization (art. 6 TFEU). EU legislative activity aims not at sidestepping state regulations - for example in the field of shared competences- providing for regional standards before state lawmakers do, rather EU competences follow the principle of proportionality and subsidiarity (art. 5 TEU), meaning that the EU steps in as long as national government fail in addressing properly an issue, and then, only to the extent required to achieve the scope. This balance of powers acknowledges the bulk of regulation to member States, which confirm their stance as the main providers of market regulation. States are both the major givers of domestic regulations and the major obstacle to regional free trade integration. Faced with multilateral mismanagement of many critical issues and the recent crisis, states should not be blamed if they strive to retain jurisdiction and authority over the widest range of issues that can be dealt with nationally. Today, multilateralism confronts recognizably with a crisis of confidence and legitimacy.

### III. The Sunset of Neoliberalism?

*The rise of discontent.* Wide-spread local and popular discontent about the negative effects of globalization and international policies over the 20<sup>th</sup> century is not a novelty. What is new in the first decade of the 21<sup>st</sup> century is that discontent spreads not only among the classical losers of globalization, but also among western countries, academics and the traditional winners of globalization. The rise of global social movements and discontent acquires a new social feature: the widening of its base, to all countries and all classes. I wouldn't be surprised if there were uprisings in Thailand or Brazil, but if these uprisings happen in Seattle, Genoa, Melbourne, Miami, Madrid, Athens, Cancún, Washington D.C., Copenhagen, Berlin, Paris I definitely would. Protests come under different forms and call upon different values, nevertheless they all respond to the crisis of 21<sup>st</sup> multilateral globalization. Manifestations during WTO summits, road parades of protesters, occupation of squares and the rise of populist parties all over Europe are no more than the same expression, the same symptom of the same disease: dissatisfaction with multilateral policies. It is not by chance that after the demonstrations in Seattle in 1999 at WTO gathering, the Doha Round was settled in Qatar, in the middle of a desert far from protesters and road uprisings. If in Seattle the collapse of talks may have been the result of the tense atmosphere in the roads, in Doha tensions stemmed also from negotiations themselves, as this "anti-developing" round strongly faced LDCs opposition and EU-US dispute over agricultural policies seemed not to be easily manageable. LDCs demanded for a new approach to development and trade, launching a new platform for international hearings in Porto Alegre, Brazil in 2001, called The World Social Forum. The forum united all alternative movements, advocates of a new globalization based on fairer principles, giving birth to the so called alter-globalization movement, or global justice movement, which focuses its proposals on social issues as well as economic ones. The name of the forum directly challenges the neoliberal stronghold of economics, namely the World Economic Forum, which meets in Davos, Switzerland, once a year. Since 2001 LDCs offer an alternative vision, represented by the catchphrase

*“Another world is possible”*, and their meetings attract since then increasing numbers of participants. The slogan recalls the 1970s efforts at the UN to forward a New Economic Order (NIEO) and to strengthen UNCTAD’s prominence in dealing with developmental issues, failed on the wake of the North’s commitment not to concede debt cancellation and room for protest. UNCTAD’s role was seriously injured by the establishment of the WTO, as the report *“UNCTAD at 50”* explains: *“The respective competences had not only to be strictly separated, but also to be made complementary if UNCTAD were to survive. Contemporary doubts about whether UNCTAD had become redundant are dispensable have already been mentioned. As Rubens Ricupero put it “When finally the WTO came into being, of course people begun to ask, ‘Why should UNCTAD continue to exist if you have a trade organization that should represent all countries in the world?’”* (UNCTAD, 2014: 121). The name of UNCTAD has regained credit only in recent times, after the Asian crisis and the *acmé* of protest in Seattle and during its 10<sup>th</sup> session in Bangkok, Thailand, on February 2000. UNCTAD’s chief economist Yilmaz Akyüz during the 10<sup>th</sup> session remarked that *“when policies falter in managing integration and regulating capital flows, there is no limit to the damage that international finance can inflict on an economy. It is true that control and regulation over such flows may reduce some of the benefits of participating in global markets. However, until systemic instability and risks are dealt with through globalization (...) the task of preventing such crisis falls on Government in developing countries”* (UNCTAD, 2014: 113). This is exactly the point I was stressing in the previous chapter, addressing WTO fallacies in providing for an international framework for market regulation. This fallacy has been grasped both by UNCTAD, whose rehabilitation as a negotiation forum may represent one of the possible future reforms of multilateral globalization, and by global civil society, claiming for social safety nets, welfare and sustainability. The protest of Seattle in 1999 united all Third World advocates from African and Latin American countries, where the sentiment of weariness and exasperation on First World’s demands, especially those affecting agriculture and the use of green rooms, had reached the point of no return. More than 40.000 people (some newspapers even say 60.000) occupied the roads of the city on November 30 and almost 400.000 took part in a virtual

sit-in; by the end of the day the Mayor of Seattle declared a civil emergency and all conferences and workshops for next days were canceled. Rioting people ranged from students to trade unions, NGOs, anarchists, workers, environmentalists. Encyclopedia Britannica reports that *“Through a variety of tactics, such as street theatre, sit-ins, chaining themselves together, and locking themselves to metal pipes in strategic locations, the protesters prevented the opening ceremony from taking place (...). (...) a few anarchists used targeted “black bloc” property-destruction tactics against Starbucks, Nike, Nordstrom, and other stores, and a few protesters burned trash cans and broke store windows”*<sup>39</sup>; the police tried to disperse and weaken the crowd through gas, pepper spray, rubber bullets, but the size of the protest was unexpected. After the arrest of some 500 protesters, people gathered in front of the Police Station to sit-in. On December 3, WTO director Mike Moore declared the suspension of the talks. Seattle is remembered as the first, so widely-spread and violent uprising against multilateral institutions by civil society, paving the way for future movements and civil disobedience. As I have already suggested, less violent but politically more relevant, the protest of Porto Alegre in January 25-30, 2001 provided a space for future talks, general organization and a common vision, which is what LDCs lacked. Porto Alegre, thanks to the support of the Brazilian government and many other international NGOs<sup>40</sup>, launched the World Social Forum, which gathers once a year to discuss ecological, social and economic topics. The first meeting of the WSF addressed four main topics: 1)wealth and social reproduction 2)access to wealth and sustainable development 3)civil society and the public arena 4)political powers and ethics in the new society (Bello, 2004: 30). The Charter of Principles, issued in April 2001 stresses the commitment of WSF to become a permanent, worldwide and multicultural negotiation arena, to devise alternative strategies to neoliberal corporate globalization, stressing the primacy of human rights, environment, democracy, social justice, equality and sovereignty of peoples. According to art. 8 *“The WSF is a plural, diversified, non-confessional, non-governmental and non-party context that, in a decentralized fashion, interrelates organizations and movements engaged in concrete action at level from the local to the international to build another world”* (World Social Forum Charter of Principles, 2001). Porto Alegre represents the

establishment of the first multilateral organization alternative to WTO, IMF and WB's mindset. A further weakening of WTO talks happened in Cancún, Mexico, in September 2003, as an attempt to revive the dismissed talks of Seattle. However, between 1999 and 2003 LDCs had grown stronger as a coalition: they furthered their requests to abolish green rooms consultations, they objected the opening up of their agricultural markets to subsidized First World's countries' monopolistic agribusinesses, they refused the privatization of public services and they increased support for local domestic firms. In Cancún protesters again flooded the streets to prevent unfair negotiations and spoke out against First World countries' WTO agenda. Three months later in Miami a similar pattern of rioting opposed vigorously a new Free Trade Agreement in Southern America (FTAAA: Free trade of the Americas Agreement, among the US, the Caribbean except Cuba, and Central and South America), which eventually never came into existence. Only some Central American Countries agreed on the terms, giving birth to CAFTA (Central American Dominican Republic FTA). Meanwhile, since 2002 Bolivia, Venezuela and Argentina were opposing the agreement to enhance their independence from the US<sup>41</sup>, proposing instead a deal among Southern American countries and a regional development bank, which were soon agreed upon (most notoriously, the MERCOSUR and Banco del Sur) (Cavanagh and Mander, 2004 : 1-7). The international perception of free trade had unquestionably changed by the turn of the 21<sup>st</sup> century, leaving room for alternative policies, at least in Latin America, where IMF, WB and WTO interventions and structural adjustment policies (SAPs) had characterized the history of the last 30 years. The need for reform is spreading to the First World too since 2000s, as protesters' reach includes major western strongholds. Between 2000 and 2001 in Washington D.C., Prague and Barcelona meetings of the WB and IMF had to be either postponed or cancelled, and most recently, since the 2008 subprime crisis, protests against neoliberal adjustments have taken place in all western countries. Civil society expands its size and political power, gaining initiative in organizing movements and local plans, such as the Canadian fight to corporate capitalism, Chilean sustainable projects, Indian Living Democracy movement, Brazilian Movimento Sem Terra (the Landless), Mexican Zapatistas, French farmer movement, and so on, that resist

neoliberal globalization. All these movements foster national and local solutions to corporate greed, reclaiming national sovereignty and a more democratic and inclusive participation in political activities. Global civil society seems indeed to reclaim its global superpower (see New York Times article, mentioned in chapter I.I, page 14).

The crisis of Neoliberalism thus affects not only its institutions and its mindset, but also the very functioning of liberal democracy. Civil society addresses also the need for a more inclusive and democratic society, where representation is widespread and horizontal. Protests and movements in Europe, Latin America and in the same US (like Occupy), stress the failure of this neoliberal plutocracy: one of the main feature of the neoliberal political compromise, according to the research by G. Duménil and D. Levy is precisely the concentration of wealth in the top percentile of the population (Duménil and Levy, 2013: 45-54). As growth and GDP increase, inequality does as well, meaning that the distribution-to-efficiency ratio (see I.II, Unfair fair Trade, p.49) fails in distributing wealth. As we may recall, one of the main objective of WSF in 2001 was exactly to address wealth distribution and poverty. Neoliberal administration and the body politics at the head of all major organizations, if not at the head of government themselves after WB and IMF (or even ECB) intrusion, is composed of technocratic elites, meaning that they are faithful to corporate-led globalization and market fundamentalism. The lack of a body politics that mirrors not only international obligations but also domestic sentiment is thus lacking in many countries. A rough response to this mismatching of exigencies has resulted in a widespread rise of populism, especially in western countries. Populism is a warning that discontent is heading for the dismantlement of the neoliberal technocratic system, sometimes assuming even violent and nationalistic forms. The discontent towards international institutions contributes to an increase in national sentiment, to the detriment of sound international policies and pluralism. As the Dutch social scientist Cas Mudde defines it, populism is an *“illiberal democratic response to undemocratic liberalism”* (qtd. in Müller, 2016: 8), grasping the contradiction between (neo)liberal democracy, that fosters particular interests

(those of the corporations) rather than spreading participation in politics, and the apparently paradoxical response to it under the form of illiberal democracy, that's a horizontal and participatory politics departing from liberalism, and not necessarily democratic. Jean-Werner Müller thoroughly explains that populist movements – for they raise as movements before engaging in politics and becoming parties – tend to blame previous policymakers for their wrongdoings, thus raising themselves as the only popular voice able to grasp the people's will. These anti-pluralistic and anti-elitist features undermine the basis of democracy, that's tolerance and debate among several views. Populist parties have literally boomed in Europe, in Latin America, in Central Asia and in the US, either to the left or the right. Actually populism can be both left-winged or right-winged, for it classifies itself beyond the same old politics and consequently it does not fit in political categories. According to academics like Jan-Werner Müller and John B. Judis, who wrote respectively "*What is Populism?*" and "*The Populist Explosion*" in 2016, historically populism arises as an apolitical protest to domestic politics and institutions, expressing national despair, and it eventually evolves into a party, but populists don't truly commit to liberal democracy because they feel that democracy is not committed to them (Müller, 2016: 60); rather they defend direct representation and homogeneity, to the detriment of multi-party politics (one populist voice is worth all citizens' votes, and if votes in elections head towards another party, then populists would claim that elections were altered). Chaos in recognizing populist parties may be caused by ill-labeling or by the transformation of populist movements into parties, still one main recognizable feature is that they keep on representing that alternative to neoliberal democracy that in many countries the left has stopped being. In the US during 2016 elections both at the left and at the right populist parties run for the White House, namely B. Sanders and D. Trump, both committed to step out of multilateral trade agreements (Sanders was against NAFTA, Trump was against TPP), both declaring to be the spokesperson for the "forgotten" people of America, who are now their first concern (*America First* by Trump), and both against a potential enemy (for Trump the enemy is the immigrant, for Sanders the neoliberal millionaire; however, both views make sense in populist logic for both answer to the people's anger

towards a certain social illness, such as the refugee crisis and the accumulation of wealth in the top layers of population). In Europe populism has recently grown following the refugee crisis, the subprime crisis and the intervention of the ECB in domestic politics, fostering harsh structural policies that entailed particular suffering for some countries, just for the sake of inflation and the stability of exchange rates. At first sight one may think that these crisis should have encouraged a deeper integration among European states, instead they played as agents of exclusion and self-help. Ivan Krastev strongly believes that both technocratic élites and the migration crisis spurred a new sense of nationalism and Euroskepticism, of which Brexit at hindsight is a clear symptom (Krastev, 2017). The rise of Front National in France, the 5 stars movement in Italy, the Finns in Finland, los Indignados and Podemos in Spain, the Catalanian independence movement in Spain, Danish People's Party in Denmark, People's Party in Austria, Independence Party and Conservative Party in UK, Syriza in Greece fall within the same ideological framework. Comparing the rise of these parties, it is clear that the main drivers of their success were indeed the migrations crisis and the economic crisis for both right-winged and left-winged populists. In Spain, after the weakening of the left in recent years (PSOE and PP), Podemos rose as a left-winged movement claiming for the restructuring of national debt, social rights, security, public investment - instead of cuts in social spending - , guaranteed annual income, and redistribution of wealth; still, Podemos hasn't claimed for leaving the Eurozone yet. The same pattern characterized the rise of Syriza, which following the fall of left party PASOK, since 2004, calls for the end of austerity and for the end of the Eurozone. On the right instead, since 2016 the Danish People's Party demands for restriction of immigration and the review of EU membership; in Austria the right coalition invokes nationalism, protection against Islam and border controls; in Great Britain N. Farage's Independence party campaigned a referendum to leave the EU successfully; in France Marine Le Pen has rehabilitated the name her party, Le Front National, demanding economic nationalism and immigration controls, and thus becoming the second largest political party of the country during 2017 presidential elections. In Italy the 5 stars movement and the center-right have gained elections in 2018, claiming for immigration control, economic revival in opposition to EU

instructions, redistribution of wealth, green economy (Judis, 2016: 89-154). Generalized dissatisfaction in the early 21<sup>st</sup> century thus takes different shapes all over the world, be it populism, socialism, conservatism, be it in Latin America or in Central Europe, because it is an all-encompassing crisis which blames the whole neoliberal system of institutions for the lack of democratic transparency and national self-determination.

*A reform of neoliberal institutions?* After the Asian financial crises, and most recently the Argentinean collapse in 2001 (inflation skyrocketing up to 20,000%)<sup>42</sup>, some reforms concerning financial markets, IMF and WB have been put forward. In October 1998 G7 acknowledged that the financial jungle was undermining markets' stability, especially when it came to hedge funds and offshore institutions, but instead of introducing regulation of international flows (for instance, through a tax on international speculative flows, called Tobin tax) it enhanced IMF's role, creating the Financial Stability Forum among finance ministers and central banks governors to coordinate and monitor financial flows. Instead of limiting financial deregulation, G7 furthered it through an international forum, which in 2009 became a Board, including only most developed economies. A reform to limit banks investments was the review of Basel I<sup>43</sup> in 2004 to introduce more bank regulation, making capital requirements dependent on risk assessment, and asking for supervisory review and information transparency (called market disclosure: it means that banks had to disclose information about their investments). Still, Basel II didn't actually provide general criteria for risk assessment, which remained up to the bank's internal models, and even if after the 2008 subprime crisis the Basel Committee acknowledged this fallacy and tried to correct it in Basel III, it still remained ineffective. Indeed, its latest update in 2010 increased liquidity obligations and risk assessment, but it seemed to be still too flexible. A Basel IV is under discussion, aiming at increasing again liquidity requirements, with the direct consequence of shrinking the credit available for loans, which means on the one side that capital invested is safely backed by banks, but on the other side it also means that capital availability is going to shrink exactly when it is most needed. As for the IMF,

in 1999 the extended structural adjustment facility (ESAF) was changed into a poverty reduction and growth facility, shifting apparently the focus of IMF policies from structural policies to poverty reduction; unluckily, the shift was only a formal shift in name. Washington Consensus was not questioned, rather after the Asian crisis a second-generation reforms in Latin America were promoted in line with the previous package of reforms: it was a question of strengthening Washington Consensus, not of changing it; if the first generation of reforms had not delivered enough, that was because countries had not liberalized enough. The address by Michel Camdessus in 1997 (IMF Managing Director from 1987 to 2000) explains exactly what the IMF means by “second-generation reform”, taking as example Argentina before the crash of 2001:

*(...) Many in Latin America believe that poverty and income inequality have actually increased during the 1990s—some say, because of market-oriented reforms, although I do not share their opinion. (...) I believe, as we contemplate this glass that is still half full and half empty, that this is the moment for Latin America not only to complete the reforms currently underway, but to embark upon a "second generation" of reform with the potential to achieve growth that is more deeply rooted, and therefore more sustainable and equitable.(...) It would be a great mistake to lay the blame for these shortcomings on the reform programs of recent years. In fact, the deterioration in income distribution and rise in poverty occurred during the period of high inflation and low growth that followed the debt crisis in the 1980s. (...)What, then, is the best course of action? Fortunately, no one today would openly venture to recommend returning to the policies of the past. Five years ago, alternative strategies were still being debated; today they no longer are. Latin America has already experimented with trade protection, with state intervention, and it has paid a tragically high price for the experience. The course of action available to us—and indisputably the wisest course of action—is, first, to continue with the stabilization policies and strengthen the reforms that have contributed most to stronger growth of the 1990s. (...) If a distinction had to be made, I would say that the*

*second generation is geared more toward achieving high-quality growth of a kind that will be genuinely sustainable over the long term in our ever globalizing world economy, while the first generation of reform focused on restoring basic equilibria and kick-starting the engines of growth. The crux of the "second generation" of reform concerns completing the transformation of the State's role in the economy. Obviously, reducing state intervention in the economy (...). I see at least three other key tasks remaining for the State to perform: (...) equal access to markets (...);] equal justice (...)[ and] reducing unproductive expenditure to make more room for investment in human capital and basic infrastructure. (...) I see three areas in which considerably more effort is required. First, the financial sector. (...) In my view, the "second generation" of reform should focus on improving transparency. Second, fiscal reform. (...) broaden the tax base (...)[ and] improve the quality of public expenditure. (...) Third, labor market reform. (...) a flexible labor market that encourages mobility and keeps labor costs in line with labor productivity.*

Address by Michel Camdessus at the 1997 National Banks Convention, Buenos Aires, Argentina, May 21, 1997<sup>44</sup>

The reform of IMF represents an enhancing of previous policies, instead of a rethinking of them. However, it was exactly a reconsideration of those policies that was necessary to restore the legitimacy of neoliberal bodies, as the UN Millennium Project instead publicly acknowledged. The head of the UN Millennium Project Jeffrey Sachs insisted on the need for an increase in public expenditure in health and infrastructure, especially in Africa. The second-generation reforms, forwarded by IMF and WB, proved again to be ineffective, or rather, even the origin of the Argentinean crisis of 2001 (for further information, see note 42). That is because advanced and developed economies respond differently to policies input, and by injecting capitals in low-profitable financial markets what happens is that an injection of money (loan) makes the value of currency decrease, reducing competitiveness and investment attractiveness. Money then flow away when

profitability decreases and when speculators foresee a future devaluation<sup>45</sup>. In developing economies policies to address internal growth and the export market may be instead for instance export subsidies, import substitution industrialization (ISI), tax incentives, trade protection (the latter considered great evils by the neoliberal free trade approach). India and China, instead, applied many of these reforms, for example, they reduced business taxes, they improved bureaucratic inefficiency, they kept trade barriers and capital controls, opening up gradually. This is the issues of sequencing. Moreover, Stiglitz criticizes Washington Consensus because it does not take into account that growth also entails a transformation of society. Investments in education, health, urban planning, human capital are paramount to both economic and social development, and he brings as example the case of Uganda, where president Museveni promoted school enrollment by eliminating school fees, despite IMF's contrary advice to levy fees. The major failure of IMF's policies was indeed the dismantling of the social development of emerging economies, as in Indonesia, where IMF suggested to eliminate subsidies on food and fuel, just as wages were falling and unemployment soaring. In Latin America growth did not entail a reduction in poverty or in inequality, rather sometimes the latter even increased. J. Stiglitz explains that *"trade liberalization accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation – at the expense of the poor. Financial market liberalization unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability. (...) Privatization, unaccompanied by competition policies and oversight to ensure that monopoly powers are not abused, can lead to higher, not lower, prices for consumers. Fiscal austerity, pursued blindly, can lead to high unemployment and a shredding of the social contract"* (Stiglitz, 2002: 84).

Reforms that would eventually restore IMF, WB and WTO legitimacy consist of a redistribution of decisional power within boards, a return to economic analysis regardless of market fundamentalism, a reconsideration of their mission and adherence to it, mechanisms for poverty reduction and financial regulation (especially bank regulation, bankruptcy policies and risk assessment tools), debt

relief, introduction of international safety nets and international labor and environmental standards. The Meltzer Commission report of 2000 identified these problems and proposed indeed a new grant mechanism within the IMF, to restore liquidity in the short-term and not to provide conditional long-term loans, widening the range of support by 80% and ranking countries' trustworthiness by prequalification standards. IMF's role should be to protect countries against liquidity problems deriving from problems other than banking sector fragility, in order to avoid massive bail outs. The report also advises general debt relief for indebted countries, to overcome countries' reliance on external FDI, and the introduction of capital controls; a strengthening of developmental banks, to replace WB financial responsibility; the issuance of labor and environmental standards by the WB, together with "public goods" like health; a shrinking of WTO bindingness over national legislation (Meltzer Commission, 2000: 23-33). Stiglitz shares the same line of thoughts: IMF should be discharged of developmental matters and its operations should be monitored by another body, improving regulation and safety nets; WB should replace conditionality with selectivity and it should perform debt relief; WTO should reshape TRIPS and resort to fair trade (Stiglitz, 2002: 229.252). Such a redrafting may allow to bring back democracy and sovereignty to national authorities, fostering national and local development over corporate and MNEs' greed, and it may lead to a restoration of a sound multilateralism to address sustainable and equitable growth. Therefore, reforms not encompassing a reconsideration of Washington Consensus do not contribute to a re-elaboration of hyperglobalization, thus making clear that if neoliberal bodies are not ready or willing or capable of reforming themselves to address their own fallacies, then alternatives must be taken into consideration.

*Alternatives: hyperglobalization, global democracy and nationalism.* As the latest events confirm, we are witnessing the defeat of neoliberal multilateralism, both in politics and economics. The crisis of multilateralism is evident even from the side of the US, which is withdrawing from many multilateral agreements since the early 2000s. Naming some of this economic downturns and failures

of international agreements can better clarify the particular historical retreat from multilateralism that we witness: the crisis of Argentina in 2001, the deadlock at the Doha Round in 2001, Wall Street's fall with the sub-prime crisis of 2008-2012, followed by European recession and ECB austerity policies, the Brexit crisis in 2017, the failure of new international agreements like TPP (Trans-Pacific Partnership, including the US and Pacific countries) and TTIP (Transatlantic Trade and Investment Partnership, between the EU and the US, currently under discussion but seemingly deemed to non-ratification), the withdrawal of the US from MEAs (multilateral environmental agreements, like the Kyoto Protocol of 1997 and the Paris Agreement of 2014, respectively rejected by Bush in 2001 and Trump in 2017), from the UN New York Declaration for Refugees and Migrants in 2017, from the Rome Statute to create an International Criminal Court (ICC) in 2002, from UNESCO in 2017, from the International Coffee Organization in 2018, from the Iran Deal in May 2018, and maybe even from NAFTA in the next future, as President D. Trump announced. Instead of converging into supranational institutions, countries tend to diverge from them, withdrawing from international agreements, casting doubts on the efficacy of global markets and finance, rejecting international "rescue" policies and "reform packages", uprising against austerity and the migration crisis, and finally supporting populist parties. The trend is unmistakably focused on national States' actions to address at least two crisis: one concerning the lack of democracy and transparency of supranational bodies, and the other addressing the economic recession of the early 21<sup>st</sup> century. Facing the crisis of neoliberal globalization, Nation States can either enhance it or trump it. Nation States are currently weighting the pros and the cons of neoliberal globalization, thus acknowledging that the US-led post-war order is drifting apart and globalization forces have so far rather increased inequality and social unrest under Washington Consensus rules, rather than spreading the promised well-being. The mismanagement of the subprime crisis in Eurozone, with the implementation of austerity policies in countries whose debt stemmed from the bailing out of private banks and not from profligate politics instead, failed in recognizing the true cause of the unrest of the system: financial deregulation. The subprime crisis was due to the creation of toxic assets, linked to real estate as conditionality, thus

inducing both a real estate bubble crisis and a financial domino effect in the world. A credit crunch soon affected private banks, which were rescued by states' central banks to avoid civil unrest, thus transforming private debt into public debt. These economies were seen as "*Too Big to Fail*" and later "*Too Big to Bail*" (Blyth, 2013: 24-66), thus creating a huge public debt that international institutions handled with the ordinary neoliberal recipe of 1990s, failing in acknowledging that those reforms were contributing to the crisis. Currencies devaluation wasn't anymore a valuable option in Europe since the establishment of the single currency; default was not feasible nor desirable; inflation was the great evil for neoliberal bodies; internal deflation, also known as austerity, remained the only feasible option. Since 2010, national economies deeply suffered in keeping inflation low through wages and prices adjustments, leading to political uprising under the form of populism. As of 2018, many Nation States are led by populist forces and struggle for national economic revival and independence from supranational constraints (again, a perfect example is Brexit, but also Trump's isolationism), for history has taught them that national democracy and hyperglobalization are not compatible. Nation States are demanding back their sovereignty, now that the international multilateral order is upset. Multilateralism ultimately surrenders to nationalism, meaning that globalization has lost support from Nation States. Once that the idea of a global government is mistrusted and abandoned by the majority of countries, deceived by late 20<sup>th</sup> century's multilateralism, then national self-determination arises as the only available solution.

Recalling D. Rodrik's trilemma about globalization, as presented in his book "*the Globalization Paradox*" (2012), it indeed singles out three scenarios of globalization, combining the elements democracy, national autonomy and hyperglobalization:

- 1) Hyperglobalization<sup>46</sup>: GDP increasingly grows and domestic politics shrink, leaving room for supranational technocracy. Globalization pushes democracy to agree on a deregulated path to economic growth, to the detriment of national standards. Lacking a global government setting labor, environmental, corporate and developmental rules, democracy bleeds. Nation States allow to give up

national standards and social safety nets for the sake of trade, luring growth and enrichment through global trade.

2) Global Governance: hyperglobalization and democracy are both achieved, to the detriment of the nation state (the end of the Nation State?<sup>47</sup>). Nation States tend to elide and to surrender governance functions to supranational levels. The result is an overall harmonized set of international rules, applicable everywhere, under the form of a globalized and supranational democracy. The European Union is paving the way to achieve this option.

3) Bretton Woods compromise: National policies and democracy are furthered to the detriment of hyperglobalization, allowing different paths of development and different domestic standards. Free trade fits domestic markets as long as it fits domestic policies.

As I have previously argued, it seems that the phase of hyperglobalization (1979-2017, taking Thatcher and Reagan's election as the beginning and Brexit and Trump's election as the ultimate crisis) is waning, leaving room for the other two options. As concerns global governance, the process of European integration is hindered by the lack of a political union siding the economic union, thus creating gaps in harmonization and wealth redistribution. According to James Buchanan's Economic Theory of Clubs, clubs work as long as the number of members is limited and the free rider problem is properly addressed: in Europe the increasing number of members makes harmonization even more difficult and costs are not equally distributed (the Growth and Stability Pact affects differently national economies, and most recently Europe is divided by a creditor-debtor axis, undermining unity) (King, 2017: 89-100), meaning that instead of convergence, European economies tend to diverge as the effect of central administration. J. Stiglitz even proposed to split the euro in two currencies, one for the north of Europe and one for the south of Europe, given their disparities (King, 2017: 220-221). Evidence for this divergence is given by the rise of populism and Euroskepticism, culminated in Brexit in 2017 and in the Višegrad Group (Czech Republic, Hungary, Poland, Slovakia). The latter closes national borders to migrants and thus fails in providing one of the four European

freedoms: the freedom of movement of people. The strengthening of borders following the waves of immigration from Syria and many African countries blocks people – namely labor force – from travelling around the globe; this trend confirms Lewis’s theory on the main fallacy of globalization. W.A. Lewis analyzed the North-South divide in his prominent book *The evolution of the International Economic order*, published in 1977, deducing that globalization did not really granted social mobility to the same extent it instead granted flows of merchandise. W.A. Lewis pointed out that limited social mobility, due to racial discrimination, impinges globalization: trade is free but the labor force is not. Saying it simply, prices depend on wages (and not the other way round), and wages depend on the supply of labor in traditional and modern markets. The traditional market has a hidden labor force that pushes prices down, whereas the modern sector needs increasing numbers of workers. For the labor force to move from the traditional to the modern sector it takes a movement from one country/zone (tropical) to another (temperate), which is extremely difficult because of social discrimination and racism. Thus, the North South divide stems from the different ratio of labor force, and consequently wage level and spending power, that directly affect the growth of the national economy. (Lewis, 1977: 10-16). Devoid of economic content, if we shift this reasoning to the social domain, Lewis’s conclusion is perfectly applicable to the 21<sup>st</sup> European case: the migration crisis has spurred countries to close barriers, increasing racist philosophy and nationalism, to the detriment of the free movement of goods, services, investments and people. These barriers impinge globalization, and they will ever do. Even if it seems quite silly as a social analysis, it explains why harmonization and integration among different countries prove to be so challenging and why, in particular, the European Union is unable to manage the migration crisis (e.g. failing in dividing “migration quotas” among member countries). The EU model keeps being a feasible option, but it needs to reinforce political and social union and equality among member States, fostering in the following years the process of integration in order to ratify international standards and to build a global supranational government to rule the global market. This is a hard challenge, given that Euroskepticism is today higher than ever, distressed by ECB neoliberal policies and populist reaction on the one side and the

migration crisis on the other side.<sup>48</sup> Lacking a true union among member States, based on a common vision, values and tradition, the EU keeps being a custom union united only by trade, profit and economic gain. The EU needs to become a political union to stand up to 21<sup>st</sup> century challenges and to become a valuable alternative to neoliberal globalization. As of today it is not. Today, the EU is plagued by populism, national-self-determination and Euroskepticism, which may deem it to disintegration (again, an example is Brexit). Paradoxically, today we have plenty of theories of European integration, but we haven't any of European disintegration. The same problem affects ASEAN (Association of Southeast Asian Nations), founded in 1967 as both a political and an economic organization to further integration, growth and peace in Southeast Asia. ASEAN is composed of 10 States and it concludes many bilateral agreements with non member States, such as with China (called ASEAN+1); still the focus has been little by little shifting from political to economic integration, to the extent that in 1992 these states created AFTA (the ASEAN FTA), and the AANZFTA (the ASEAN-Australia-New Zealand FTA), to enhance trade liberalization (and soon investment liberalization apparently). So, even in Asia the rise of a supranational government is far ahead, for cooperation happens primarily in the economic domain. However, economically speaking, regional FTAs (which are also called PTAs, preferential trade agreements, for countries tend not be adjacent) pose a challenge to multilateralism whatsoever: the debate on regionalism as an alternative to multilateralism is open and lively, for example, according to J. Bhagwati, regional blocks can have a double effect on multilateralism: building blocks expand multilateralism (enhancing trade liberalization), whereas stumbling blocks limit multilateralism (basically introducing external tariffs or limiting trade outside the PTA) (Bhagwati, 1996). In sum, multilateralism is undermined both economically and politically: in the first case present PTAs as stumbling blocks may already pose a challenge to multilateralism, furthering regionalism instead; in the second case there's still a long way to create a real political union, which would be a worthy alternative to neoliberal globalization.

The last option besides hyperglobalization and global government is the primacy of national politics over international policies, also referred to as Bretton Woods compromise. This trend is consistent with latest events and current requests by global civil society and domestic governments. Domestic regulation embodies one of the few tools to restrain unlimited free trade, providing for labor and environmental regulation, safety nets and social cohesion. Domestic governments also embody transparency and democracy, bringing decision-making close to people, unlike supranational technocrats. Moreover, national revival is easier today given the lack of an international superpower willing to take the lead and build an international order, after the retreat of the US. Who knows who may replace the US in global leadership, but right now, with the US withdrawal, there's a sort of power vacuum, contributing to weaken internationalism and to strengthen Nation States self-determination. After US isolationism, China may be an alternative global leader, but as of 2018, China takes the lead only in the Asian-Pacific area, without claiming a global role yet (e.g. OBOR: *one belt one road* initiative enhances cooperation in Asia through the establishment of a terrestrial and a maritime silk road). It seems however plausible that the future leader will be an Asian country according to Beverly and Silver's studies. Beverly and Silver study hegemonic transitions since the 17<sup>th</sup> century, namely the Dutch, the British and the US hegemonies to disclose the rise of the new one. They prove that financial expansions, like the one we have witnessed in the last 20 years, coincide with hegemonic crisis: this pattern was repeated in all cases, with the fall of the Netherlands in the 18<sup>th</sup> century, Great Britain in 20<sup>th</sup> century and US in the 21<sup>st</sup> century. Financial breakdown mark also the rise of the hegemony: their research shows that before the strengthening of the hegemonic stock market, a crash is usual, as it happened for London in 1772 and for Wall Street in 1929. So we may suppose Tokyo's Stock Market's crash in 1997 reflects this pattern, and we should expect the rise of the new financial hub in Hong Kong, Taiwan, Japan and China (Arrighi and Silver, 1999). Moreover, Asian regionalism has so far developed an alternative path of development and an alternative set of multilateral institutions, maybe embodying the emblem of future multilateralism. Asian regional institutions and national governments indeed follow a typical Keynesian plan to achieve growth and

social stability: if in the Western hemisphere multinationals and international bodies take power from national states, in Asia states and sub-national levels are instead gathering more power both because of traditional political organization, popular pressures and political democratization.<sup>49</sup> The world claims a more equitable and sustainable model of path of development, and maybe the Asian region can provide for a model: for example, China committed to a strong obligation in Paris addressing climate change, agreeing on moving up the peak of emission to 2030 instead of 2050; China and Singapore are promoting a new eco-friendly urban planning (e.g. the Sino-Singapore Tianjin Eco-city project). The Asian model may be inspirational for western countries, which have already got underway to achieve sustainable development at national and local level.

Among D. Rodrik's options, the re-birth of the role of states in dealing with urgent matters such as safety nets, fair trade and environment is indeed under way, and I may add, with a 21<sup>st</sup> century novelty embodied by the rise of autonomy at sub-national levels, in the form of devolution. The first decades of the 21<sup>st</sup> century are the direct and non-negligible proof that neoliberal globalization is failing to deliver on its promise of increased and wide-spread wealth through trickle-down mechanisms. Neoliberal bodies and élites face the rise of new movements and political-economic alternatives, based on the construction of strong and sustainable national economies within a different international system. The trial on neoliberal globalization rests on the idea that nation States do not have to subdue their sovereignty to international units of governance, made of teams of experts immune to national democratic accountability. Since the 2008 crisis, slogans like "take back control" flood current affairs sections of newspapers and speeches, claiming for a different globalization and the national management of a crisis mismanaged by international experts. Are Nation States claiming back their sovereignty undermining projects of hyperglobalization and global governance? Are we witnessing the revival of the Nation State and the end of globalization as we have known it since the 1970s? Multilateralism suffers from lack of confidence and increasing self-help, rather than international diplomacy and cooperation. Win-win logics backing international

commitments in the past century are now replaced by the perception of globalization like a zero-sum game, motivated by greed and self-help. Mistrust in international management is deeply rooted in national sentiment, which is fuelled by nationalistic and exceptionalist rhetoric both on the left and on the right, giving birth to new political phenomena of deglobalization. Recalling UN Secretary General Kofi Annan's speech in 1999, he was convinced that *"globalization is an irreversible process, not an option"*, but also that *"It's now widely recognized that market-driven globalization by itself will ensure neither fairness nor social progress. In fact, it has been accompanied in recent years by increased inequality within and among countries, and the number of people living in poverty has continued to increase. The asymmetric distribution of benefits and risks arising from globalization warrants a global "social contract" between developing and developed countries based on a genuine solidarity and shared responsibility (...)"* (General Assembly, 15/09/1999: para. 39) already pinpointing the flaws of neoliberal globalization, namely insufficient institution-building, the need for a reform of the architecture of the international financial system and the challenge of inclusiveness (General Assembly, 15/09/1999: para. 37 (b),(c),(d)). To the question "Is globalization irreversible?" we can no more be as sure as we were in the 1980s that the answer is yes. To a certain extent we even failed in completing globalization, for we globalized trade and finance, but we didn't globalize the responsibilities that derive from them. We failed in achieving the globalization of democracy and of a social contract guaranteeing that the benefits of globalization are equally distributed and they don't outweigh its costs, despite the impressive promises of the 1980s. On the other hand, almost twenty years from the fall of the Berlin Wall, countries all over the world are building walls and fences again on their national borders (just think about US-Mexico border, or the Hungarian fence to prevent immigration, or the closure of ports in the Mediterranean e.g. in Italy). If globalization is not about barriers, what do they stand for? Barriers are the ultimate body of proof that the globalization of free movement and Schengen is falling apart. Barriers stand for a new perception of the other, of the foreigner; barriers stand for a new conception of international trade, revealed by the revival of

protectionism; barriers stand for a new conception of democracy, enhanced by the return to home rule; barriers stand for deglobalization.

Therefore, the very last option pointed out by D. Rodrik seems to be the only feasible one nowadays, as an alternative to neoliberal globalization. On the one hand the international multilateral system is disintegrating and it's suffering from a crisis of confidence and democratic accountability; according to W. Bello the world in the 2000s is suffering from at least six crisis: the crisis of multilateralism, the crisis of the neoliberal vision, the crisis of the corporation, the crisis of military hegemony, the crisis of liberal democracy and the crisis of the global production system (Bello, 2004: 2-16). On the other hand we witness the revival of the Nation State that saves a lost democracy and that inaugurates a new pattern of economic development, ready to overcome neoliberal assumptions. This is to say that following such a deconstruction, Bello hypothesizes an alternative, the building of a different system that ends with the previous one – and that's why its name is made of a negation: de+globalization. Deglobalization doesn't entail the end of the international system or multilateralism per se, rather it's built on the idea that international cooperation can be achieved within a pluralist system of independent deglobalized Nation States. This dual tendency of disintegration and construction is better embodied in the most recent case of Brexit, to which I will dedicate the following chapters. Brexit is the perfect example of the breaking out of neoliberal contradictions in the western world, fuelled by the people's reaction to years of inequalities and disregarded social fabric.

## SECOND PART

### DEGLOBALIZATION: A BREXIT ANALYSIS

One of the most shocking events of the latest years in politics is Brexit, which has been labeled by BBC's journalist A. Marr "*the biggest democratic rebellion in modern British history*" (Marr, 17/03/2017). Britain does not stand alone in protesting against a system that doesn't deliver on its promises, there are plenty of case studies throughout Europe and the whole world that can be mentioned. Brexit deserves particular attention as it allows to discard at the same time Rodrik's hyperglobalization and global governance option: Britain takes back sovereignty from the European Union, accusing it to overly extend its powers and harming Britain's wellbeing and "unique" development (we will see that Britain has indeed a different development trajectory since the very birth of the European Union and a different Atlantic and Pacific relationship to trade, given its imperial past). This is the first time that article 50 of the TEU is triggered and a country withdraws from the European Union, casting doubt on the efficacy and proficiency of such a project, and thus spreading a climate of self-help throughout Europe (so called Frexit for France, Nexit for the Netherlands, and the like). This is the first time we witness the beginning of the process of disintegration of the European Union, which keeps on integrating and harmonizing towards a more ambitious project of political union, towards a quasi supranational super-state, while it doesn't question the assumed commitment of its member States. Is Brexit the beginning of the return of the Nation State? What policies and specific historical contingencies undermine European integration, and conversely, strengthen the need for national sovereignty? To what extent neoliberal globalization can be blamed for this outcome? Once the idea of a supranational government is discarded and neoliberal globalization happens to be criticized as unfair, undemocratic and elitist, the last option is a new Bretton Woods compromise, where states do cooperate and trade internationally but they ultimately keep accountability and social safety nets as domestic as possible.

When globalization fails in delivering wealth, democracy and widespread wellbeing, the path to deglobalization is open and that's exactly the path Britain chose on June 23, 2016.

#### IV. Brexit Factsheets: who and why voted against what

*What does Brexit mean? Beyond mainstream definitions.* Two years ago, on June 23, 2016 the people of the United Kingdom were answering the hotly debated, feared and wished-for question “*Should the United Kingdom remain a member of the European Union or leave the European Union?*”. Surveys, politicians, international community, and even the British didn’t really expect Leave to win, maybe because of “project fear” or love for status quo. On June 24, 2016, the outcome of the referendum was announced by the prime minister then in charge David Cameron – a supporter of the Remain side: Leave had won with 51.9% of votes, out of an turnout of 72.2%. Cameron, who had promoted the referendum since his electoral campaign in 2015 to secure a Conservative government, resigned after this European debacle and the lead of the Conservative Party was taken by Theresa May, a former Remain supporter as well, now appointed to conduct Brexit negotiations with the EU and to form a new government. The first and second May ministries (one in 2016 after the Brexit referendum and one after the 2017 general elections) indeed included a Secretary of State for Exiting the European Union, whose chair was the Rt. Hon David Davis till 8 July 2018, when he resigned, and since then MP Dominic Raab. The resignation of Davis Davis mirrors national turmoil and disorientation after the last two years of Brexit negotiations. Rumors about a second referendum are increasing the climate of tension in British politics; however, it is generally recognized that such a referendum would not be a second Brexit referendum, rather it would more probably question what kind of Brexit, in what terms and to what extent, the British want. Tensions about what form Brexit should take haunt national debate, undermining support for May’s government. At the General Elections of 2017 the Conservatives lost 13 seats in Parliament, to the advantage of Labour – mostly a Remainer -, whose leader Jeremy Corbyn is re-launching the party after eight years of Conservative’s victory. Never had Britain – nor Europe – such a tense and chaotic political climate, where differences between and within parties are blurred, new parties upset the usual order (e.g. UKIP) and misinformation reigns. The emblem of such a political crisis is

the Conservative Party itself, which struggles among different views of Brexit. Brexit has been labeled in thousands of ways: hard, soft, quasi, hard, dirty, clean, dog's, cliff edge, red, white, blue, smooth, smart, Schrödinger's, business-friendly, "have-your-cake-and-eat-it Brexit", and on and on. Two of May's ministers, Davis Davis and Boris Johnson – two committed Brexiteers – accused May of being too soft with the EU, surrendering to a too soft Brexit. Their resignation followed the retreat in Chequers of May: according to Davis and Johnson the signing of the Chequers Agreement between the UK and the EU on July 6 2018 - a deal that creates guidelines for future negotiations, which should be concluded by March 29, 2019 – is dissatisfying as it pursues a "semi-Brexit". The agreement doesn't fully delink the UK from the past rulings of the European Court of Justice and from the Common Agricultural Policy, whereas it recognizes full autonomy on immigration policy and trade policy. Johnson writes that the "*dream is dying, suffocated by needless self-doubt*" (BBC News, 09/07/2018). Rumors about further resignations and no-confidence vote to May upset the political scene, which would see the umpteenth leadership contest since the referendum. Since July 2017, eight ministers left their cabinet in May's government: M. Fallon, former Secretary of State for Defence; B. Johnson, former Secretary of State for Foreign and Commonwealth Affairs; A. Rudd, former Secretary of State for the Home Department; D. Green, former First Secretary of State; D. Davis, former Secretary of State for Exiting the European Union; J. Greening, former Secretary of State for Education; P. Patel, former Secretary of State for International Development; P. McLoughlin, former Chancellor of the Duchy of Lancaster. The support for Brexit is not fading, for Leave campaigners and May's government are committed to fulfill the outcome of the 2016 referendum, because "Brexit means Brexit" as Maybot keeps on saying. Nevertheless, disagreements on the sharpness of Brexit are confusing society and parties' internal hierarchies. Leave won with 51.9%, which means that 48.9% - half of the population - voted Remain and the government in charge identified it as a minority, which is not really; and the Brexiteers did support Leave, but the referendum didn't ask what kind of Leave the British wished for. All this political turmoil originated in a straightaway understanding of the outcome of the referendum as a hard Brexit, that eventually

surrendered after two years of negotiations to a softer line of negotiations (the Chequers Agreement). The general feeling is that the Leave side had no real plan to pursue Brexit for it didn't expect a victory, so it pursued negotiations without a real strategy or clearness in contents. All slogans – repeated by May as a robot, therefore called Maybot – like “Brexit means Brexit”, “No deal is better than a bad deal”, “take back control”, are obviously catchphrases<sup>50</sup>, devoid of a real strategy and meaning. F. O'Toole, commenting the results of the latest British snap general elections, unleashed his doubts about the real meaning of Brexit: *“May demanded a mandate to negotiate—but negotiate what exactly? She literally could not say. All she could articulate were two slogans: “Brexit means Brexit” and “No deal is better than a bad deal.” The first collapses ideology into tautology. The second is a patent absurdity: with “no deal” there is no trade, the planes won't fly and all the supply chains snap. To win an election, you need a convincing narrative but May herself doesn't know what the Brexit story is.”* (O'Toole, 16/06/2017). Therefore, the questions in: what does Brexit really mean?

One explanation was given on March 2, 2018 by the prime minister Theresa May at the Lancaster House in London. There, she proposed a plan to mitigate trade relations between the EU and the UK, but more importantly the vocabulary of her speech caught the interests of the Leavers, defining what Brexit really means for the future of British politics and economy. Brexit is the victory of politics over economics, a victory that surprises and upsets the market-driven world we have been living in since the 1980s. Brexit affirms the return of social and political concerns over a bare market fundamentalism, devoid of social safety nets. May stresses the importance of future economic relations between UK and the EU by using a strong social and absolutely non-conservative approach: *“The government I lead will be driven not by the interests of the privileged few, but by yours. We will do everything we can to give you more control over your lives. When we take the big calls, we'll think not of the powerful, but you. When we pass new laws, we'll listen not to the mighty but to you. When it comes to taxes, we'll prioritise not the wealthy, but you. When it comes to opportunity, we won't*

*entrench the advantages of the fortunate few*" (May, 13/07/2016). The continuous opposition between the few and the people recalls a progressive, leftist logic inspired by anti-neoliberal rhetoric: the sentences of this extract are built on the "not...but" dialectical approach, which means a continuous rejection of the status quo – the few, the wealthy, the mighty - and the celebration of an alternative – you, the left behind. G. Fraser puts it right when he says *"This referendum was a battle over globalization and its discontents, between those who have become the beneficiaries of a boundary busting neoliberal economy and those who have been left behind it"* (Fraser, 30/06/2016). Fraser develops the meaning of Brexit beyond media and common beliefs, tracing anger and dissatisfaction back to the rupture of the Labour party's base constituency, for if *"had there been a stronger Labour Brexit voice, this referendum and its meaning would not have been so easily captured by the racists"*. Brexit embodies the need for a change, a sharp cry resonating throughout Europe that the era of neoliberal globalization must come to an end and a new social contract within a new political economy must be devised for the sake of democracy. Despite the despicable xenophobic disguise of the Leave campaign, which corrupted and confused the real meaning of Brexit, it targeted the helplessness of a social class forgotten by party politics in the last decades, asking for more social justice. Scapegoating immigration and spurring hate speech was part of a populist rhetoric, unluckily spreading throughout Europe, that redirects the anger about social unfairness towards the other, the foreign, the different. That's why Fraser argues that a better political representation of the interests of the working class by New Labour could have avoided the rise of populist forces like UKIP (UK Independence Party). The latter were nothing more than a safety valve, an outlet for political representation for those who weren't properly represented by traditional party politics, by now completely fit within the neoliberal order. When political representation stops representing popular concerns and focuses on a pre-determined policy package, then democracy becomes illiberal and finds alternative ways to speak out, delinking from traditional parties. *"In short, populism is an illiberal democratic response to undemocratic liberalism. It criticises the exclusion of important issues from the political agenda by the elites and calls for their repoliticisation. However, this comes at a*

*price. Populism's black and white views and uncompromising stand leads to a polarised society – for which, of course, both sides share responsibility – and its majoritarian extremism denies legitimacy to opponents' views and weakens the rights of minorities",* explains Cas Mudde (Mudde, 17/02/2015).

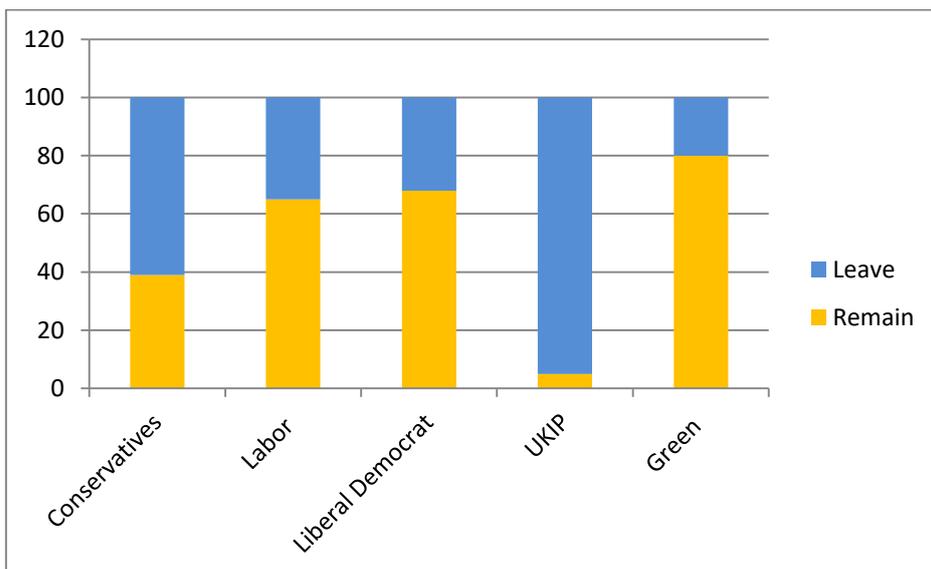
The referendum was the ultimate product of British populism, articulated most recently by UKIP and previously by decades of Euroskepticism, and finally politicized by the Conservatives, scared by UKIP performance at 2014 European Parliament elections and 2015 British General Elections.

Be it soft, hard, white, blue or red, Brexit means first and foremost one thing: today, leaving is more important than staying in. In and out of *what* is the real issue posed by Brexit. Re-framing the question in social – rather than merely European Union – terms helps to fully understand the real meaning of Brexit: *"Should the United Kingdom pursue neoliberal globalization or develop a new social contract?"*. That's the real question the British were answering on June 23, even if they ignored it. For many the EU was not even the issue, what they were answering was what shape their country and their lives should take in a globalized world (Seidler, 2018: 56). Leaving was not a political issue, because it went beyond party divisions; leaving was not even an economic issue, because the UK is the fifth world economy (IMF 2017 economic ranking). Leaving is not more proficient, more efficient, more valuable, richer, happier, cleaner, greener, more inclusive, fairer, freer; it's simply more important than staying in. Leaving is the re-politicization of a social contract taken for granted by neoliberal globalization. The following chapters will not analyze the terms and the possible future developments of UK-EU Brexit agreement – if there will be one -; the scope of this work is to understand the reasons behind Leave, behind the rejection of multilateralism and neoliberal principles, that spurred Britain to be the first country in Europe to undo the European Union. Exiting became an historical need and an historical landmark in British – and global - history. The question is: why exiting became more urgent than opening to further globalization? For whom? Who voted Leave? And why? Is Brexit the dawn of a new social narrative?

*Brexit identities: beyond traditional politics.* The turnout to the referendum was 72.2%, a high percentage if compared to declining turnout at general elections (in 2017: 68.7%)<sup>51</sup>; the question of entering, then reforming and now leaving the EU has always been mainstream in British politics, both for left and right parties. EU and Brexit referendum, respectively in 1975 and 2016, do not fit in a left-right political logic, because the question of European membership goes across the lines of traditional party politics. The distribution of the electorate in the 2016 Brexit referendum according to YouGov shows that almost all parties contributed to Leave victory, especially Conservatives and UKIP voters, plus an important minority of Labour voters and Liberal Democrats (Figure III). The outcome of the referendum really depended on the alternatives that the constituency saw in the relation between UK and EU. One year before the referendum, surveys indicated a strong support for Remain: 26% of people were happy about UK-EU relation, 37% wanted the EU to reduce its powers, versus only 18% in favor of leaving (Evans and Menon, 2017: 47). The issue of limiting the powers of the EU was primary in securing the Remain voters for the referendum because many, according to the survey of 2015, only wished for a renegotiations with the EU on UK opt-outs from certain constraints, and not plainly a Brexit.

Figure III. Leave and Remains voters across Parties

Source: YouGov<sup>52</sup>



The deal was secured in February 2016 among prime minister David Cameron and the European Council, nevertheless dissatisfaction about the outcome of the deal spurred many potential Remainers to change side. The Daily Mail's title recited "*Call that a deal, Dave?*" (Slack and Stevens, 20/02/2016). Cameron had obtained a British opt-out option from further integration in future agreements, a "red card" on European Commission's proposals of law, restrictions of in-work benefits for migrants and child benefits for children that do not live in the UK. Measures to limit migration and to speak out UK voice in European legislative procedure were quasi valueless: non-UK-citizens workers' benefits were replaced by an increase in British minimum wage, child benefits were simply adjusted to the living country's wages, and the red card was actually very limited in action for it requires 55% of EU's national parliaments to challenge at the same time and for the same reason a particular European Commission's proposal. This ill-fated deal was indeed attentively non mentioned during the Remain campaign.

Perhaps, Labour was the most unclear party during the campaign, leaving its voters with a sense of helplessness and no clear party position on the issue. Corbyn's name was goggled together with "is he in or out?" and one in five Labour voters ignored the party position on the referendum. Internal divisions were clear in the Tories as well, where Remainers and Brexiteers mostly coexisted in the same amounts and most prominent public figures sided for both campaigns. The classic division of constituencies in society was blurred as well, for the share of citizens who believed that Labour represented working class's interests decreased from 46% in 1987 to 10% in 2001, and up to 38% in 2015. Conservatives' constituency was instead more convinced of its identity, 88% of voters recognizing that the party was a middle-class party in 2015 (Evans and Menon, 2017: 67). Since the New Labour government 2000-2010, Labour had been blurring its identity and, more broadly, Labour and Conservatives started converging on similar political programs to the ideological center, thus confusing the voters' identity and class politics, who blame "they're all the same". New Labour constituency, traditionally composed of working class, didn't recognize itself in pro-EU and neoliberal

strategies pursued in the first decade on the 21<sup>st</sup> century. All the voters who didn't feel represented by anyone, namely the working class, the poor and the less educated, who previously identified themselves with the Tories or the Labour, saw a new opportunity in the birth of new parties and identity politics in recent years. Indeed, the real winner of Brexit referendum is UKIP (UK Independence Party), a party born in 1991 and basically died in 2017 after reaching its objective. UKIP is a harsh Euroskeptic party, founded at the Anti-federalist League by Alan Sked and initially committed to put pressure on Conservative's pro-Europeanism. Lately, between 2010 and 2016 UKIP organized around several issues as a real electoral force (from 3% in general elections in 2010 to 12% in 2015, and an exorbitant 27% at the European Parliament election in 2014)<sup>53</sup> and it appointed the charismatic Nigel Farage as its leader, resuming all British nationalism and anti-establishment sentiment, thanks to a populist rhetoric. UKIP strongly campaigned against immigration, grasping the emerging discontent of the British people about inequality, working conditions, social issues (Evans and Menon, 2017: 84-87).

Brexit thus embodies the revival of populism in Britain – along with trends in the US and throughout Europe – under the form of anti-elitism and anti-pluralism. UKIP is perhaps the most evident manifestation of populism, building its popularity on racist dialectics, Euroskepticism and identity politics. Nevertheless, the Conservatives as well shifted to populist vocabulary when “othering” the top 1% of the population and the 48% minority that voted Remain. By claiming to represent the will of the people – the real, the British people - the Conservatives speak directly to that 51,8% that voted Leave, using a direct speech and oppositional dialectics (e.g. you are, your interests, your lives, noone but you), ignoring that share of the population who voted Remain. The danger of anti-pluralism is to end up being un-democratic, that's ironically what Leavers accused party politics to be before the referendum. Populism unleashes those identities who feel underrepresented and builds on these strong identities to “other” what is different, divergent, un-identical (Müller, 2016; Judis, 2016). The recreation or the repossessing of the British identity, as opposed to cosmopolitanism and

Europhilia, is a remarked feature of Brexit, along with the will to “take back control” on law and borders. The combination of Euroskepticism and nationalism shaped a revolutionary identity politics, able to question the position of Britain in a globalized world. The process of othering Europe was facilitated by a deeply-rooted Euroskepticism since ever: surveys carried out by the European Commission in all member States showed that the UK was the last country in the ranking of European identity (28 out of 28), with approximately 60% of British ignoring a sense of European belonging (Evans and Menon, 2017: 18); British Social Attitudes Survey of 2015 highlighted that 49% of respondents thought that EU membership was spoiling British distinctive identity (Taylor, 2017: 47). According to M. Castells Britain has developed a “resistance identity” following the processes of European integration and internal devolution of Scotland, Wales and Northern Ireland (Castells, 1997). Leavers recognize themselves in this sense of belonging to a mother-country with an epic past of imperial glory, to an Anglosphere intrinsically different and restricted by the belonging to the EU, and an aversion towards multiculturalism and cosmopolitanism, typical instead of Londoners (London was one of the strongholds of Remain). The heartland developed a resistance identity to the effects of globalization, Neoliberalism and de-industrialization, that found the “other” in the headquarters of the EU.

Symptomatic is indeed the portrait of the Brexiteer. If we had to draw a quick description of the typical Leaver, then we should look at his age, his education and his address. The characterization of the Leave voter overlooks forms of political belonging; rather, Leave and Remain identities are stronger than left or right political beliefs, as differences among parties’ manifestos are increasingly blurring (Evans and Menon, 2017: 82). Geographically speaking, England was the most Euroskeptic area, as opposed to Scotland and Ireland; the only great exception in England is London, where Remain won 59.9% in all 33 boroughs of the capital, reaching a peak of 70% in some<sup>54</sup>. This geographic division can be explained along with two variables: secession politics and de-industrialization. Scotland and Northern Ireland supported Remain because of the diplomatic role

that the EU develops for Scottish independence and for the relations with the Irish Republic (Taylor, 2017: 51); England and the South supported Leave, as a consequence of de-industrialization and decline instead. The economic trajectory of the English economy towards services, mainly finance, and the overcoming of the industrial age, led to the closing of many manufactures, mines, steel-making and ship-building plants. These former industrialized areas now suffer from widespread unemployment, de-skilling of workers, low wages, lack of housing and high levels of immigration. These are the parts of the country that most experienced the effect of post-industrialization, globalized economy, international competition and growing inequalities (benefits cuts, poor health and educational services). The dismantlement of post-war state planning and welfare systems and the progressive financialization of markets under a neoliberal consensus caused disinvestment in manufacturing, which in turn led to manufacturing unemployment and foreign competition (e.g. in relation to GDP, manufacturing declined from 30% in 1970 to 13% in 2010, and employment in this sector from 35% to 10% in the same years). Generalized insecurity, especially after Thatcherism and the 2008 crisis, along with the precarization of work and austerity policies caused a conservative reaction against globalization, namely the victory of Leave (Taylor, 2017: 21-29). “*England and Wales are in the midst of a working-class revolt*”, says J. Harris and he continues explaining the meaning of the real referendum for all the left behind:

*Instead of a comparative security and stability of the postwar settlement and the last act of Britain’s industrial age, what’s the best we can now offer for so many people in so many places? Six-weeks contracts and the local retail park, lives spent pinballing in and out of the benefits system, and the retirement built on thin air. (...) What people seem to want is much the same as ever: security, stability, some sense of a viable future, and a reasonable degree of esteem. To be more specific, public housing is not a relic of the 20th century, but something that should surely sit at the core of our politics. If the modern labor market amounts to a mess of uncertainty – something driven as much by technology as corporate greed – it is good to*

*hear so much noise about the principle of a citizen's income, but disheartening to hear it talked about as something that might only arrive in a few decades' time, at best.*

J. Harris, "Britain is in the midst of a working class revolt", *The Guardian*, 17/06/2016

Harris correctly focuses on the economic insecurity that haunts the lives of all the British who used to live in prosperous industrial areas and since the 1980s have instead only lived decay, worsened by the willingness of many immigrants to accept despicable working conditions and further undermine workers' rights. Anger is thus not targeted to immigrants or to the EU simplistically, it was cleverly exploited and directed there by the Leave campaign. Indeed, typically Conservative rural areas where immigrants settled in and worked as crop-pickers recorded high levels of Leave voters (e.g. East Anglia, Lincolnshire) as well as Labour Northern towns and coastal old constituencies supported Brexit (Evans and Manon, 2017: 86-87). For a geographical distribution of Leave and Remain votes, see Figure IV.

Leave areas are also characterized by a major share of 60-64 year-olds and less educated voters. As Figure V, shows, according to age, over 50% of Leave voters were over 55, while 18 to 24-year-olds were supporters of Remain (73%) (but apparently youngsters didn't vote. Many speculations about a higher turnout of youngsters confirm that their cosmopolitan and Europhilic views may have secured a Remain victory). Low levels of schooling and low hourly wages correspond to Leave voters, as well political support for UKIP and Conservatives resulted in a more likely Leave attitude (96% for UKIP and 58% for the Conservatives). In terms of education, people with a university degree were more likely to vote Remain (65%), and people with no educational qualification were more likely to vote Leave (72%); nevertheless the middle class highly-educated minority that voted Leave was the real ace in the sleeve of the Leave victory (Evans and Manon, 2017: 84). The working class has been shrinking in the last decades, thus a victory of Leave was secured not only by the working class, but also by a strong support of the middle class too: support for Leave in the middle class was 59%, and 41% among the working class (Evans and Menon, 2017: 97-98). Focusing only on the working class is

Figure IV. Geographical distribution of Leave and Remain votes Source: Business Insider<sup>55</sup>

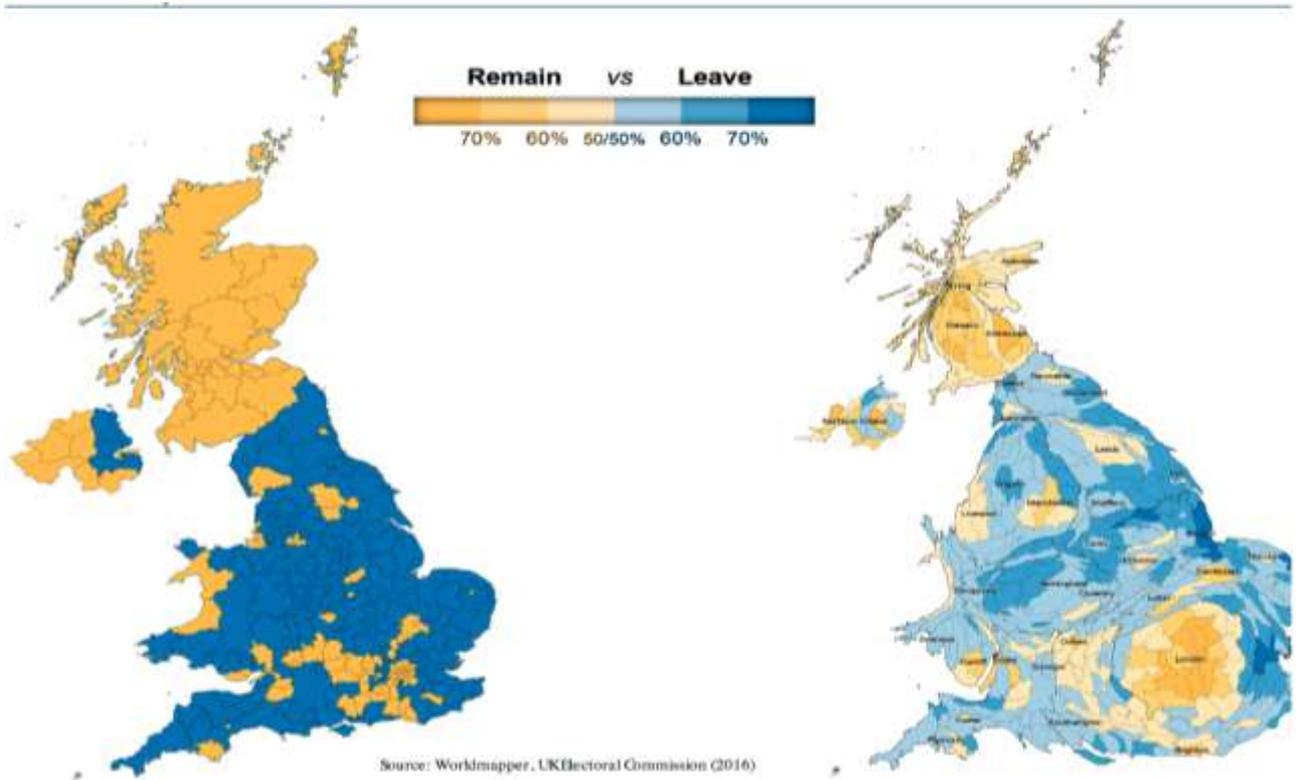
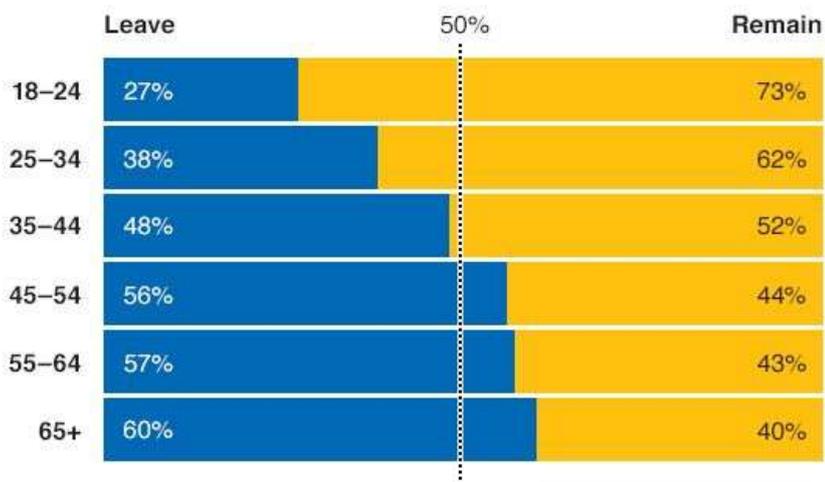


Figure V. Brexit referendum according to age groups Source: BBC<sup>56</sup>

### How different age groups voted



Source: Lord Ashcroft Polls

BBC

therefore an analytical mistake, because Brexit was more than a working class revolt. A new group of people who face the constraints of the most recent austerity policies, and who also enjoy a stable income job, medium income and high level of education, makes up the so called “squeezed middle”. This lower middle class has seen its income stagnating and its socio-economic situation precarious, falling into a non-classification or increasingly feeling part of the working class despite having a middle class job. The left behind are thus those who experience material deprivation or believe they’re going to shift from the “haves” to the “have nots”.

Socio-cultural values shaped the referendum as well: cosmopolitanism, multiculturalism, job and educational opportunities abroad characterized the Remainers; patriotism, nativism, communitarianism and protection of the British culture characterized Leavers. Values were easily exploited by the Leave campaign to target the voters’ resentment towards the EU and the immigrants, while the Remain campaign failed to develop a strong cultural speech for remaining in the EU, prioritizing instead economic considerations. When ideology replaces competence, then facts and figures are put on the back burner and instinctive emotions reign the political speech. This shift in politics is noxious for the socio-cultural equilibrium, that easily corrodes towards hate speech and what was “*unspeakable became not only speakable, but commonplace*” (qtd. in Taylor, 2017: 60). Post-truth politics – also called post-factual or post-reality – were eventually the winner’s weapon to gain consensus, for Leave campaigners acknowledged that “*The remain campaign featured fact, fact, fact, fact, fact. It just doesn’t work. You have got to connect with people emotionally*” (qtd. in Worley, 30/06/2016). The way both sides used their rhetoric tools unmistakably favored the Leave Campaign, which capitalized on people’s fear, anger, beliefs, while Remain’s facts and sheets proved to be the umpteenth experts’ opinion, which people do not trust anymore. One (in)famous example is the figure of alleged £350m that Britain sends weekly to the EU, and that Leave proposed to redirect to NHS (National Health Service) instead. This sum must be reconsidered according to European Commission and Office for National Statistics’ data: the annual net UK contribution to the

EU – money given minus money received – ranges from £8.1 billion (EC estimates) to 9.4 billion (ONS estimates) in 2016, which means that weekly net contribution to the EU ranges from £156 million (EC estimates) to £181 million (ONS estimates).<sup>57</sup> That’s how post-truth politics works: information is presented in a misleading way, carrying out incomplete analysis to generate scandal, anger, and the like; most importantly, quoting figures and discussing about their correctness further undermines the credibility of “the experts”. Truly speaking, the “experts” resorted to post-truth politics as well when publishing exaggerated and scaring reports about the future of UK economy outside the EU (e.g. Treasury report released on April 18, 2016 “*HM Treasury analysis: the long-term economic impact of EU membership and the alternatives*”), with losses from £20 billion a year to £45 billion a year depending on the Brexit options (HM Treasury, Cabinet Office, Prime Minister’s Office, 10 Downing Street, the Rt Hon George Osborne, 2016). General chaos and cherry-picking data mania, along with mistrust and defamation, generated misinformation, cynicism and scandal mongers. No surprise that Ian Duncan Smith labeled the Treasury “*the worst thing we have in Britain*”, Michael Gove said that the people had “*had enough of experts*” and an interviewee claimed “*that’s your bloody GDP, not mine*” (Evans and Menon, 2017: 62-63). If people didn’t care about the figures and official reports, what and whom were they believing to? On which base did they decide what to vote on June 23? The information they gathered came mostly from the campaigns and from media, which is not a reassuring fact indeed. Provided that campaigners resorted to ideology and instinctive emotions to fuel the voters’ interest, media didn’t represent a fair ground of competition neither. The majority of media supported Leave, up to a ratio of 80:20 in favor of Leave (Seidler, 2018: 41), according to the Centre for Research in Communications and culture at Loughborough University; most importantly, the information disclosed was at the same time paradoxically plentiful and poor, and surveys among readers showed that they “*felt surprisingly uninformed about the EU despite the barrage of news*” (Martinson, 21/06/2016). Then , primarily newspapers, took strong positions on Brexit and competed for the better argument, ending up in publishing stories, figures and scandals vehemently just to win the argument, and polarizing the debate on the issues of economy and immigration, leaving basically

untouched substantive sectors like security, environment, defense, health, farming. Newspapers and TV are the most followed media and contribute to voters' opinion up to 87%, therefore the striking amount of readers following publically Leave-sided newspapers (4.7 million daily readers on average) like the Telegraph, the Express, the Sun and the Star, and the Mail, outnumbered by four times the average amount of readers of pro-Remain newspapers, like the Financial Times, the Guardian, and the Daily Mirror. J. Freeland describes this post-truth climate as an attitude that goes beyond Euroskepticism, and resembles even more forms of nihilism and *"disregard for the reason on which any civilized society is built"*; thus, the undermining of political correctness and healthy debate creates a crisis of democratic legitimacy (Seidler, 2018: 87-91). I. Krastev acknowledges that *"what makes the rise of populist parties dangerous for the survival of the European project is not so much their Euroskepticism (...) but their revolt against the principles of constitutional liberalism"* (Krastev, 2017: 81). The anti-establishment and anti-pluralistic features of populist rhetoric break with the principles of democracy as a political system, and they tend towards the overcoming of traditional politics, in terms of party division – which does not mirror voters' identities anymore and becomes increasingly replaced by Anywhere and Somewhere identities – and politics of truth. People's dissatisfaction for European democratic deficit and stickiness to expertise caused distrust in democratic principles and democratic accountability; but paradoxically, the fruit of this rebuttal is at the same time a rejection against the democratic principles of tolerance, pluralism and heterogeneity (populism) and an avowal of democratic accountability through mechanisms of direct democracy (referenda). People longer for a better democracy, a democracy working for everyone and not for the few; they longer for a political representation they have been denied in the last decades; they ask for a reconsideration of a system that worked for the sake of economics and not for the sake of people; people want a renewed democracy, close to the constituency and accountable to them. There is room for hope in the reconstruction of a healthy political and social environment after the launch of a decade-silent Left, under J. Corbyn's Labour manifesto *"For the Many, Not the Few"* during the electoral campaign of 2017. Labour regained UKIP voters and it increased vote share by

9.5% since 2015, becoming the second national party.<sup>58</sup> The articulation of J. Corbyn's manifesto recalls an anti-neoliberal thinking that finally grasps the real meaning of the Brexit vote: *"They wanted to hear about alternatives to neoliberal, globalized capitalism and were sympathetic to hearing how the rules of the game had been shaped in the interests on the rich and the financial sector. They wanted to rethink the relationship between capitalism, globalization and democracy and were impatient with ideas that globalization could somehow be reworked so as to serve the interests of the many rather than the 1%. There were interested also in global justice (...)(and) with questions of global warming"* (Seidler, 2018: 47). Brexit means therefore the rejection of Neoliberalism and the demand for a new narrative of global justice, a new economic philosophy fit for the 21st century.

*British economic history: post-imperialism, liberalism and Euroskepticism.* Neoliberal controversial development in Britain characterizes British economic trajectory since the 1970s and the government of M. Thatcher. Thatcher won the general elections in 1979 with a majority of 43.9% - if compared to 36.9% of Labour – securing a strong power in Parliament and a strong commitment to heal British wounds due the end of the imperial age, the 1973 oil crisis, the 1971 closure of the gold window by the American President R. Nixon and the following financial turmoil, and a general economic decline. The previous Conservative government, chaired by E. Heath (1970-1974) resorted to EEC membership to reinvigorate British economy, signing accession in 1973 (UK had asked for accession in 1963 and 1967, but French President Charles de Gaulle vetoed it; only with the election of Georges Pompidou the veto was removed). The main reason for accession was thus exclusively economic, a feature that the UK will maintain till nowadays, vehemently opposing attempts of further integration. At the time of accession, both Labour and right-winged politicians (e.g. E. Powell, whose legacy is known as Powellism) opposed EU membership, favoring instead an imperial solution, British identity and full sovereignty. Thatcher didn't detach from emerging Euroskepticism, as her famous Bruges speech of 1988 demonstrates:

*Britain does not dream of some cosy, isolated existence on the fringes of the European Community. Our destiny is in Europe, as part of the Community. That is not to say that our future lies only in Europe, but nor does that of France or Spain or, indeed, of any other member. The Community is not an end in itself. Nor is it an institutional device to be constantly modified according to the dictates of some abstract intellectual concept. Nor must it be ossified by endless regulation. (...) My first guiding principle is this: willing and active cooperation between independent sovereign states is the best way to build a successful European Community. To try to suppress nationhood and concentrate power at the centre of a European conglomerate would be highly damaging and would jeopardise the objectives we seek to achieve. Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions and identity. It would be folly to try to fit them into some sort of identikit European personality. (...) It was not right that half the total Community budget was being spent on storing and disposing of surplus food.(...) The lesson of the economic history of Europe in the 70's and 80's is that central planning and detailed control do not work and that personal endeavour and initiative do. My fourth guiding principle is that Europe should not be protectionist. The expansion of the world economy requires us to continue the process of removing barriers to trade, and to do so in the multilateral negotiations in the GATT. It would be a betrayal if, while breaking down constraints on trade within Europe, the Community were to erect greater external protection.*

M. Thatcher, Speech to the College of Europe ("The Bruges Speech"), 20/09/1988

Thatcher mentions British discomfort about European federalism, European identity, European's focus on its internal market and the imposition of an external tariff to British previous trade partners, European centralized decision-making and budget management. She affirms instead the superiority of a liberal approach in trade and a nationalistic approach in politics. A further undermining of confidence in the European project came with the project of the European Monetary Union (EMU), at first supported by Thatcher's Conservative successor J. Major (1990-1997) but then discarded

when the interests of the City were subdued to the German financial model and the following 1992 sterling crisis. New Labour (1997-2010) inaugurated a less harsh relation with the EU and a realignment of its constituency, far from the traditional working class and closer to the financial élite. New Labour tried to shape British economy towards a European alignment, entering the single market, signing the Social chapter and re-activating the European Exchange Rate Mechanism (ERM, suspended after the 1992 Black Wednesday). European affiliation was put to test during the Conservative government of Cameron (2010-2016), who called a referendum to put an end to European membership after the rise of social turmoil and the political inability to maintain only a purely economic relationship with the EU (.e.g. Cameron's failure to stop a "further integration", see page 86).

UK only sought an economic partnership with the EU, at the time EEC, and it always lamented – or unwillingly welcomed – steps towards the integration of European economies and identities. British history conferred to the country an imperial prosperous past based on economic liberalism and trade relations with the Commonwealth. The dismantlement of the Anglosphere and the recourse to the old continent disconcerted the British collective psyche, whose tradition of exceptionalism and transatlantic bond with the US could hardly subdue to the European project of political union. The particular development of British economy towards financialization and a path of de-industrialization accentuated the clash between the needs of profoundly different economies. This particular path started in 1976, when the IMF incorporated the UK within the Washington Consensus through a saving plan for an economy deeply harmed by the oil crisis. IMF lent a huge sum – the highest ever , \$3.9 billion – to the UK to stabilize the value of the pound, inflated and depreciated within a declining economy, with a current account deficit and unattractive state bonds. Labour government led by J. Callaghan rejected the white paper on budget cuts, thus worsening state debt. The sterling crisis and IMF bailout marked the shift from an economy concerned with public spending and social welfare to an economy dedicated to the stabilization of inflation. When monetary politics subdue

social politics, and unemployment and welfare are sacrificed for the sake of the exchange rate, then Neoliberalism starts working as a new ordering principle, shaping the future of economic development. IMF conditionality on the loan included a cut of £3 billion in public expenditure in the upcoming fiscal year (1977-1978) and a further \$3 billion cut the following year (1978-1979). This strategy would allow a decrease in the interest rate, therefore more investment, to the cost of an increase in unemployment by 70.000 jobs by 1978. Savings from cuts in public expenditure were challenged by the Foreign and Commonwealth Secretary Tony Benn, who didn't value IMF intervention as necessary as believed, nor as effective as supposed: according to estimates IMF intervention could anticipate recovery only by one semester at the cost of high unemployment, and industrial investment would deliver better outcomes than a decrease in interest rates. His greatest preoccupation as a left-winged politician was obviously the undermining of Labour social contract with the working class, because *"further public expenditure cuts would have a disastrous effect upon the public service unions, and the Social Contract would certainly break down as far as the public sector was concerned"*; he continues, *"There was no economic ground on which such a deflationary change of policy could be justified and it would split the Labour Party and destroy the Government's relationship with the trade unions"*. Therefore, he proposed an alternative recovery strategy to IMF bailout that wouldn't destroy Labour constituency. He proposed instead to cut \$1 billion from the sale of British Petroleum shares, £0,5 billion in public expenditure that had no effects on employment and £0,5 cuts in real public expenditure, plus import controls and capital controls, and a strategy to re-industrialize Britain (National Archives, 1976: 1-12). Benn's proposal was rejected and instead deregulation was implemented (e.g. the Bank of England Competition and Credit Control to free commercial banks from maximum lending) by Callaghan, Thatcher and Blair and Brown's governments.

Thatcher's policies inaugurated the theory of the minimal state, withdrawing from public service, from interventionism and welfare provision. The post-war consensus was replaced by the

prioritization of the interests of the City: reforms made easier and quicker to invest by deregulating financial markets through a relaxation of exchange and credit controls, cuts in corporation tax, abolition of dividend payment control and a reduction of duty on transactions. London hosted offshore multinationals escaping tax and regulations and it became the major crossroads of European investments, amounting to more transactions than Paris and Berlin together. The decreasing investment in industry and the dismantlement of workers' rights, especially in steel plants and mines, along with a harsh shift to services - finance first - marked a clear difference from the continental economies with which UK could compare herself. While UK was de-industrializing and betting on finance services, continental economies were investing in a post-Fordist knowledge economy, based on technology and innovation. This caused a de-alignment in developmental trajectories and an increasing polarization of wealth in British society, which started to be structured between the financial élite and a low-skilled, low-waged and low-tech working class, vulnerable to foreign competition and immigration. Membership to the EU allowed the movements of transnational labor force, especially since the accessions of 2004 (so called A8 countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia). The 2008 credit crunch, exploded throughout the world, compelled government to bail out banks and repay private debt with public cuts through austerity measures. Between 2008 and 2015 there was a rise in non-standard forms of employment like self-employment, zero-hours contracts, part-time and below-living wage salaries, coupled with poor social housing and poor public services expenditure. Thus, a growing share of the population knew material deprivation and welfare retrenchment, and it started blaming immigration and the EU for that (Taylor, 2017: 24-34). The perceived loss of control over the economy towards the flexibilization of labor, the reduction of wages, the privatization of state assets and the dismantlement of the state was identified in increasing European integration, which was historically furthered at the same time of neoliberal globalization and that – to a certain extent – mirrors its market fundamentalism; in the end, the EU only represents a partial political and economic manifestation of the neoliberal system, and not the system itself. This reading of the

referendum thus goes beyond a clear-cut interpretation of the Brexit vote and it retraces instead the causes, the feelings, the choices that led the British people to vote yes. Yes to the a re-examination of the institutional architecture of neoliberal globalization, already deadlocked in unpopular austerity measures, WTO failing negotiations in Cancun and Doha, stalled “Singapore issues” and inconclusive negotiations on new FTAs (e.g. TTIP). In contrast to *“free market fantasies of neo-liberal globalists, Brexit seems to indicate the beginning of the end for neo-liberalism or perhaps the start of a return to organized capitalism”* (Taylor, 2017: 40), where the state occupies an active role in forwarding a regulatory democracy. When challenged by anger and systemic crisis, democracy can take two roads: one is regulatory democracy, the other one is illiberal democracy (a.k.a. populism)<sup>59</sup>. The sociologist Karl Polanyi anticipated the risks of market fundamentalism in terms of social a-political counter-movements in *“The Great Transformation: The Political and Economic Origins of our Time”* (2001), predicting a clash between society and the utopia of a self-regulating market: *“This leaves no alternative but either to remain faithful to an illusionary idea of freedom and deny the reality of society, or to accept that reality and reject the idea of freedom. The first is the liberal’s conclusion; the latter the fascist’s”* (Polanyi, 2001: 257). He explains that whenever the liberals oppose any reform, regulation or control of the system, prioritizing the market over political intervention, then fascism is unavoidable, under the form of society backlash. If the rise UKIP and the last general elections in the UK proved the existence of the populist fascist option, latest developments in British politics let us hope for a more democratic option, embodied by Labour commitment to re-balance economy and democracy towards a fairer system.

*Unfair Supranationalism? Take Back Control.* Neoliberal globalization is primarily characterized by a bunch of institutions that overcome national boundaries to head the international political economy at the most supranational and technocratic level as possible. The width of the powers obtained by supranational institutions may supersede national constituencies and national governments, who feel powerless before these giants – and sometimes betrayed by them. The

British had to accept and implement the conditionalities of IMF in 1976, despite internal dissent, and since European accession, despite their attempts to slow down or impede further integration, they have experienced the supranational powers of the EU, embodied by the European Court of Justice's jurisprudence and by the Lisbon Treaty. The path for a supranational political union – which would resemble option two among Rodrik's alternatives to hyperglobalization, namely the idea of a globalized democracy – is particularly resented by the British, who instead have struggled since EEC accession to maintain a certain degree of independence. Accession to the European Economic Community was for the British a long and disputed process, it took indeed a referendum in 1975 – two years after accession – to make sure that the people wanted to stay in the European Economic Community (and they did, Remain won 67%). Labour was the major supporter of the referendum, stressing the loss of economic sovereignty, the painful rise in prices under the Common Agricultural Policy and the limited autonomy in shaping industrial policy; among the Conservatives instead, E. Powell distinguished himself as the most nationalistic and Euroskeptic, giving birth to an extreme right thought called Powellism. By 1975, the economic benefits of staying in outweighed the drawbacks and immigration was minimal, for members were only 9 (Denmark, United Kingdom, Ireland, France, Germany, Italy, the Netherlands, Belgium, Luxembourg). By 2016, EU member States were 28 and the costs of losing sovereignty seemed to outweigh the benefits of staying in. According to Evans and Menon, the moment of rupture came in 1992 with the signing of the Maastricht Treaty, that provided for the monetary union and the harmonization of immigration policy. As long as trade was concerned, Britain spurred integration, for instance with the Single European Act (1986) to dismantle internal barriers to trade; nevertheless, when integration shifted to other fields, different from economic or commercial integration, Britain kept aside the process and instead tried to create opt-out options, as it happened for the Social Chapter and the Economic and Monetary Union during Maastricht negotiations. The immediate effect of the Maastricht treaty (1992) for the British was the sterling crisis of 1992, that put the sterling under pressure to keep up with the limits of the European Exchange Rate Mechanism (ERM); in 1992 the sterling exited the ERM

despite huge efforts to maintain its value above the ERM limit. (Evans and Menon, 2017: 4-5). UKIP, with its original name – The Referendum Party – was born exactly after this European debacle, in 1994, along with other Euroskeptical parties like the Anti-Federalist League and the European Foundation. The 2008 crisis hit strongly the Eurozone and further undermined the economic viability of the European project for the UK, which was turning into a more and more constraining political union. The Lisbon Treaty of 2009 amended the previous treaties and disposed a new institutional order for the European Union, introducing some novelties like the President of the European Council, the High Representative of the Union for Foreign Affairs and Security Policy, the yellow card to allow one third of national parliaments to stop a legislative procedure, the enlargement of the European Court of Justice's competence, the bindingness of the European Convention of Human Rights (ECHR). The new “constitutional” treaty was promised to be put under popular scrutiny since the early 2000s, Cameron promising to hold votes on the text and by 2010 on basically any new amendments to EU treaties when Coalition passed the European Union Act. By 2014, the Conservatives repealed the 1972 European Communities Act to enforce the possibility to block EU laws. In 2014, at the European elections the most Euroskeptical party ever, UKIP, won more than one quarter of the electorate (27.5%)<sup>60</sup>. Dissatisfaction with the European Union's continuous impulse to integrate gained prominence since the 1990s, and kept on haunting British political imaginary for twenty years, questioning the viability of the European project under all points of view, even the economic one since 2008. The Eurozone officially became an impasse to overcome the crisis and to forward British recovery, since the generalization of strict austerity measures first imposed on Greece and Ireland and then applied to all member States through the Fiscal Compact. The EU acted like a supranational government, setting out conditionalities for recovery without distinguishing the inner differences of the European economies; in other words, the EU committed the same mistake of main neoliberal bodies that faced the debt crisis in the 1990s: one-size-fits-all reasoning does not pay back, both in economic and social terms. Overwhelming feelings about the all-powerful European super-state thus upset British politics as never before, and the outcome of these feelings was nihilist as never before.

The British have always been skeptical about the idea of supranationalism and the transfer of powers to the EU. As Churchill once put it *“With Europe, but not of it”* (Evans and Menon, 2017: 1), which may perfectly resume the spirit behind Brexit. The UK is part of Europe, but it seeks national autonomy within a system of independent Nation States, and not within a project of European federalism. The possibility of globalizing democracy thus failed in convincing the British people (Rodrik’s second option, whose main embodiment previous to Brexit was exactly the European Union), who instead mounted nationalism and sovereignty as their main political concerns. If the Eurozone failed in delivering the hoped-for economic benefits of a single market and most recently of a monetary union, it most seriously failed in delivering a trustworthy and reliable political project. Especially since Lisbon, the democratic deficit of European institutions has been lamented by all member countries, which had to countercheck – in vain – popular support of such a project: France, the Netherlands, Ireland and Greece organized referenda in 2005, 2005, 2008 and 2015 respectively to give voice to popular dissent, and to their displeasure, the outcomes were never taken into consideration by European bodies. Despite the occurrence of national referenda to block further integration - since the famous 1992 Danish one - , technocracy overruled democracy. In this respect, when the Leave campaign put aside the economic argument to focus instead on sovereignty and democracy – though in populist terms, which is a contradiction because populism is anti-democratic – scored a direct hit. *“It’s not about the economy, stupid. It’s about sovereignty”* (qtd. in Seidler, 2018: 67), thus Leave detached from the economic bias of the Remain campaign, that did not address the problem of democratic accountability and freedom of movement, sticking instead to a purely trade, human rights and economic discourse. The word clouds of campaigns’ key topics as mentioned by voters during polls show this detachment clearly (Figure VI). Leave managed to discard the idea the stability was better provided within the EU, thus overcoming the *“status quo bias”*, by underpinning instead the idea that the EU is instable, untrustworthy – as well as markets (Taylor, 2017: 102; Seidler, 2018: 21-34). It seems as if experts, as well as markets, had a special ability to self-regulate, self-know and self-predict; this ability begun to shake before the



D. Hannan's takes as evidence the ignored outcomes of national referenda in Denmark, Ireland, Sweden, France, the Netherlands and Greece, and the lack of influence of countries' will in a majority voting system (the alternative is consensus, or unanimity); he says "*since majority voting was introduced in the late 1980s, the UK has voted against an EU legislative proposal seventy times. She has lost the vote seventy times*" (D. Hannan, 2016: 81). European Court of Justice jurisprudence also menaces the common law system, because Britain not having a proper constitution must give primacy to European jurisprudence, rather than its own (e.g. The Factortame case, 1988)<sup>62</sup>. In his analysis D. Hannan examines all the democratic fallacies of European membership; decreasing turnout to European elections and European Court of Justice's "coup d'état" are the most objective and disquieting points he arises (Hannan, 2016: 40-50; 87-115). A quick search in the European Court of Justice online library reveals that proceedings between the UK and the ECJ are 6761, as of August 2018<sup>63</sup>, and data disclosed by the European Parliament confirm falling interest in European elections (from 61.99% in 1979 to 42.61% in 2014, a drop of 31%).<sup>64</sup> Brexit would restore national legislation primacy over international legislation and it would take back democratic accountability to the national parliament. The Britons reacted to the problem of democratic fallacy by steeping back from technocratic international bodies, that were apparently following market principles instead of popular accountability. Ironically enough, it was exactly direct democracy – a referendum – that restored the balance lost, or at least it should. The project of international democracy proved deficient, hence the return in great style of nationalism and Euroskepticism.

## V. The road for a new economic philosophy for the 21<sup>th</sup> Century?

*1979-2017: Neoliberal trajectory and inequalities.* The British voted for a different country, a country that now prioritizes corporate and financial capital over the 99% of society, a country that needs to refocus on social justice to establish a new social contract for the 21<sup>st</sup> century. The appalling polarization of wealth and income in the UK has provoked a social confrontation between the 1% and the 99%, following decades of neoliberal policies. Inequalities in income and wealth distribution have been increasing since Thatcher's government, allowing the rich to accumulate more wealth without progressive taxation and state-led wealth redistribution. The top percentile of British population has been increasing the share of fiscal income since 1979, as figure VII shows: there has been an increase from 5.9% in 1979 to 13.9% in 2014 of fiscal income share, which means that the latter increased by 135.59%. In 2014 income was distributed among the top 1%, the top 10%, the middle 40%, the bottom 50% as follows in Table I and Figure VIII. These figures are particularly meaningful as the share of income by the top 1% and the bottom 50% is almost the same in 2014, which confirms the projections of Milanovic's elephant chart of global income inequality for the UK as well.<sup>65</sup>

Table I. Share of income according to population groups

Source: World wealth and income database<sup>66</sup>

Top 1%	13.9%
Top 10%	40.0%
Middle 40%	45.7%
Bottom 50%	14.3%

Figure VII. Top 1% fiscal income share, United Kingdom, 1918-2014

Source: World wealth and income database<sup>67</sup>

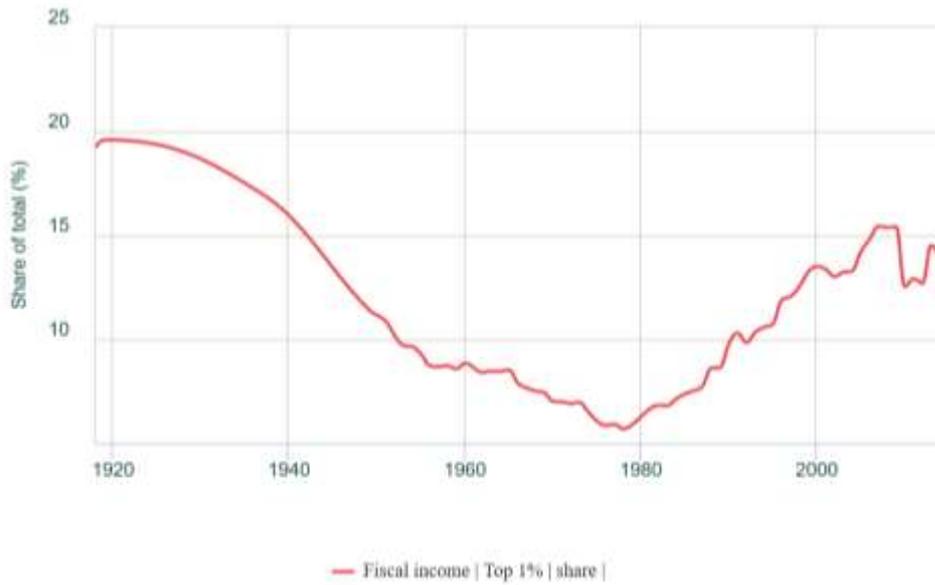
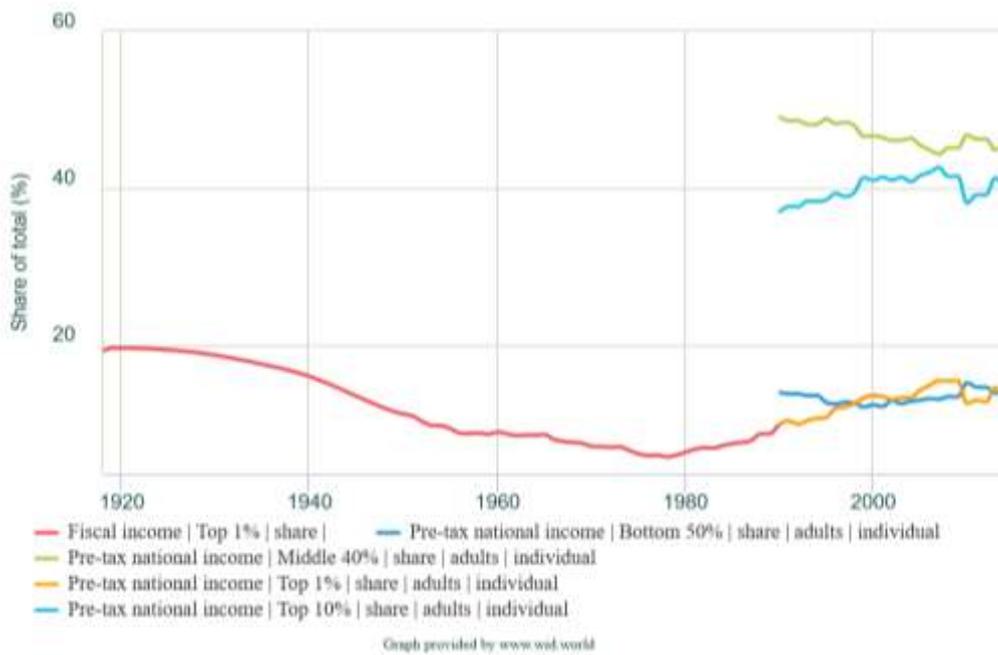


Figure VIII. Fiscal income share by population group, United Kingdom, 1918-2014

Source: World wealth and income database<sup>68</sup>



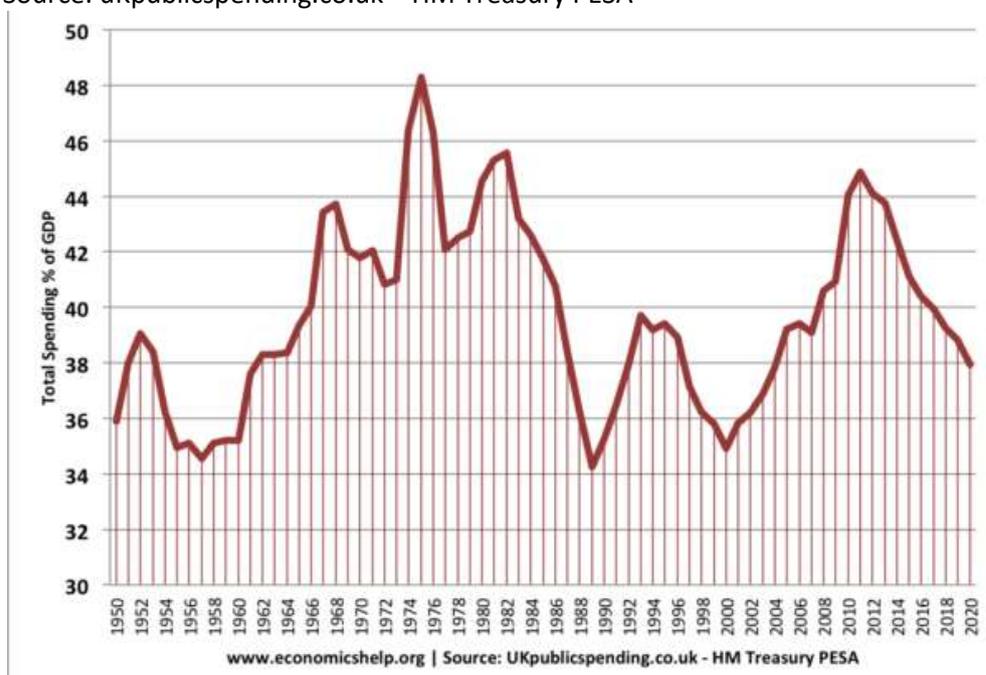
Inequality stems from the decline of public assets and investments, that limits the ability of the state to pay for welfare provision and public debt, to the advantage of increasing amounts of private capital, engaged in the provision of fee-based services. First privatization and the retreat of the state from public service provision since IMF conditional loan and Thatcherism, and then after the 2008 crisis, the austerity measures to pay public debt implemented by the Coalition government strongly affected the size of public spending in service provision. Public debt accumulated after the 2008 crisis was ironically not public, but private; the state bailed out banks and private banks converting banks' debt into public debt and creating austerity measures to burden it. The latter disrupted the benefit system, further squeezed the public sector and increased taxes, especially for the bottom and middle parts of the population, who started feeling that austerity wasn't implemented fairly (e.g. in 2012 the income tax on top earners – more than £150.000 – was cut from 50p to 45p) and the bankers got away with their misdoings without being made accountable for them. On the top of that, unemployment, cuts to housing and disability benefits and the lack of social mobility further burdened on the lower classes, which suffered internal deflation through decline in wages (10.4% reduction between 2008 and 2015) and the replacement of full-time contracts with part-time, zero-hour and self-employment contracts. Austerity measures were implemented both the Tory-Liberal-Democratic Coalition and by the EU, by attaching a generalized set of austerity measures called Fiscal Compact to the "Treaty on Stability, Coordination and Governance in the EMU" of 2012, despite UK government clear opposition to it. In 2010-2015 latent Euroskepticism boosted under G. Osborne and D. Cameron anti-European rhetoric, motivated by the dissatisfaction about centralized technocratic financial and fiscal management of the crisis, and motivating "exit" as an economic option. In 2016, failing negotiations with the EU to achieve greater domestic independence and to preclude the UK from further integration damaged European sentiment. Within the country, anti-establishment sentiment was instead propelled by the infamous bedroom tax, removing the "spare room subsidy" in the Welfare Reform Act of 2012: social housing benefits are calculated according to the number of occupied and spare rooms, so if one room is not occupied social benefits are reduced

by 14%, and by 25% if there are two or more spare rooms. This tax affects the most vulnerable groups of society, as UN special rapporteur R. Rolnik concluded in her visit in September 2013, advising the government to annul the tax (Butler and Siddique, 27/01/2016). Another symptomatic phenomenon is the increase in the number of people resorting to food banks, as benefits granted to citizens do not cover the costs of food nowadays: from 2017 to 2018 food banks users increased by 13%, the main referral reasons being low income (28.49%), benefit change (17.73%) and benefit delays (23.74%) debt (8.53%), homelessness (5.01%), other reasons (16.5%) (Trussell Trust, 2017). The austerity measures targeted cuts in public spending in National Health System (NHS) and education especially, ending up with severe problems in addressing demands for mental health care, care homes and education fees. Indeed, May's program includes the recovery of the 1983 Mental Health Act, a new Mental Health Treatment Bill, social care policy and the re-introduction of grammar schools. More and more cuts to government public spending as percent of GDP do not allow proper investment in social spending and welfare provision, despite their growing importance in government's budget. UK government public spending, since the 1960s has fluctuated around 40% of GDP, with a sharp declines in 1980-1989, 1995-2001 and 2010-2018, periods that correspond to Tory's majorities except for the years 1997-2001, when Tony Blair won the elections after 18 years of Conservative majority (see figure IX). The present declining trend in public spending seems to be confirmed by the Tory government led by Theresa May since 2016, complying with IMF plan for UK public debt recovery. IMF estimates that to recoup public debt UK should cut public spending between 2015 and 2019 up to 3% of GDP (Dorling, 2018: 49); such cut would decrease public spending to 38% of GDP, thus approaching the UK to the third division of countries by public spending by 2019 (below 40% of GDP spent on public services: Estonia, Slovak republic, Ireland and San Marino). Latest estimates project a further decline down to 37% of GDP by 2023<sup>69</sup>, advising tax reforms, cuts in state pensions and healthcare; surprisingly they also suggest investments in education and research (actually the correct wording is both "*private and public*")<sup>70</sup> given the low

performance of British labor force and the need for an increase in productivity to launch the manufacturing economy after Brexit.

Figure IX. UK public spending as % of GDP

Source: uKpublicspending.co.uk – HM Treasury PESA



According to the Institute of Fiscal Studies the first austerity measures in the years 2007-2008 affected the middle income earners as effect of wage reduction; however, the trend changed since 2011, when the cuts to welfare budgets affected instead the lower-income percentiles, due to cuts to benefits and tax credits. Latest data confirm that overall inequality is expected not to decrease in the next years, as the top income percentile of the population will gain from projected increase in income from earnings, while lower-income households will probably suffer further benefit cuts. Inequality has decreased between the 10<sup>th</sup> and the 50<sup>th</sup> percentile, while it has skyrocketed within the 90<sup>th</sup> percentile (income for the 99<sup>th</sup> percentile is double that at the 95<sup>th</sup>). This means that income inequality has decreased within the bottom 99%, but it has increased between the top 1% and the bottom 99%, as income homogenized in bottom and middle class earners, while the share of total income by the top 1% increased incredibly (from 3% in 1979 to roughly 8% in 2015). The reduction of

benefits has affected both the bottom and the middle percentiles, but middle-earning households suffered less than low-earning households given that benefits for the latter constitute a larger share of incomes. Projections of the Gini coefficient of income inequality for the UK see a steep increase since 1979, from 0.24 to 0.34 in 2014 (Institute for Fiscal Studies, 2018: 30). Poverty was not successfully reduced from 2011 to 2017, rather it fluctuated around 21-22%, its main cause being unemployment and increasing housing costs. An increase in employment and earnings is mentioned in both inequality and poverty reduction scenarios. An encouraging trend towards income equality is the introduction in 2016 of the National Living Wage (NLW), a minimum wage for employees aged 25+ that allowed a strong net increase in wage growth among low-wage earners; nevertheless, the introduction of higher taxes and the progressive reduction of benefits braked this increase (among the 20% bottom earners pre-taxed wages grew by 5.7%, but net income only grew by 0.4% after taxes and benefit cuts) (Institute for Fiscal Studies, 2018). Unemployment is decreasing since the 2011 peak and it amounts to 4.2% in March 2018.<sup>71</sup> Inequality within society is also shaped by the affordability of amenities that, since the establishment of the minimal state, have gone partly or totally private (e.g. through Public Private Partnerships – PPP- and privatization, especially in the fields of education and healthcare).

D. Dorling's – Professor of geography at Oxford University and contributor to major newspapers, like *The Daily Telegraph*, *The Guardian*, *New Statesman*, the *Financial Times* - investigative report "*Peak inequality*", published in 2018, scrutinizes British austerity politics and their effect on public service provision, linking people's anti-establishment tendency and Euroskepticism to a historically-rooted problem of inequality, that he defines "*Britain's ticking time bomb*". Whether the bomb broke out on June 23, 2016, or even earlier, during the riots of March 2011, or it will break out in the near future, is still an open question; what D. Dorling makes sure is that inequality is the most worrisome and most pending social and economic issue of the 21<sup>st</sup> century. According to OECD estimates of 2016, the UK is the most unequal country in Europe after Lithuania, with a Gini coefficient of income

inequality of 0.35 (complete equality = 0, complete inequality = 1). The ratio of annual income of the top 10% to the bottom 10% of British households in 2015 was 17:1, which means that the richest households in Britain had 17 times more money per year than the average poor family; if we compare this ratio to other European countries' ratios, the incredible gap in incomes in British society becomes clear: 14:1 Spain, 11:1 Italy, 10:1 Germany, 7:1 France. Most of these inequalities have become visible in the access to health, education and housing since the 1970s, through decades of constant growth in polarization of wealth. (Dorling, 2018: 140-143). The roots of inequality are to be found in decades-long politics of minimal state, market fundamentalism, economic individualism and labor force flexibility. As Dorling affirms, *"the underlying reasons for worsening health and declining living standards were not immigration but the ever-growing economic inequality and the public spending cuts that accompanied austerity"* (Dorling, 2018: 70), therefore blaming immigrants or the EU for Britain's social and economic unrest doesn't really target the roots of the problem. State retrenchment from welfare provision has weakened the quality and the accessibility of housing throughout the country, and most particularly in London: accumulation of wealth and real estate by the richest (in 2002, 69% of the land in Britain was owned by 0,6% of the population, and between 2005 and 2011 ownership has decreased by 10% while the average size of houses has increased by 12%) along with the physical limits of over-building, have made house ownership unaffordable for the majority of the population, who is doomed to rent forever at skyrocketing prices and to resort to private renting. Credit Suisse Global Wealth Report of 2017 takes into consideration global household wealth and it estimates wealth to income ratio per country: when it comes to the UK, by 2007 the wealth to income ratio had risen above 9, that is the highest level ever recorded, except from Japan's housing bubble of 1980s; household debt multiplied from 1980 to 2008 by 180%; and 27 thousand of top 10% global wealth holders and 3 thousand of top 1% global wealth holders lived in the UK (Credit Suisse, 2017). In 2016 homelessness rose by 16% on the estimates of 2015<sup>72</sup>, calculating more than four thousand people sleeping rough in the streets, because of welfare reform and the housing market. The austerity cuts of 2010 squeezed by 58% in real –terms the funds for

social housing and benefit cuts to lower income families deprived them of housing subsidies (e.g. the Benefit Cap of 2013 put a ceiling to total benefits received). While the rents increase relentlessly, benefits either stay still or are cut. The appalling estimates have spurred the government to issue the infamous bedroom tax and the theme is still central in Labour, Liberal Democrats and Conservatives programs. Dorling proposes a land value tax or some mechanisms to block foreign investors to own and rent real estate; the latter becomes possible only with Brexit, for in the European Union every citizen can reside in each member state, whereas with Brexit limits to foreign investments could be set. Good housing is also related to health, for worsening housing condition entail material deprivation and declining health, so government programs in social housing can consequently limit the number of emergency and primary healthcare (Dorling, 2018: 85-151). In the fiscal year 2019, out of £818 billion of UK total spending, health care covers £152 billion (18.5%) and social security covers £115 billion (14%); in 2010 UK total spending was £673 billion, of which £116.9 were distributed to health care (17%) and £110.7 to welfare (16%); in 2007 UK total spending was £550 billion, of which £94.7 5 were targeted to health care(17%) and £83 to welfare services (15%). Projections for 2020 assume a cut in welfare provision (13% of total UK public spending) and health care (18%). Cuts are also foreseen in education, which was funded by government spending up to 13% of GDP in fiscal years 2007 and 2010, then it decreases to 11% in 2019 and by another 1% in 2020 (10%).<sup>73</sup> Despite increasing public spending, once the amount is adjusted for inflation and calculated as percent of GDP, the final trend is not as steep at it is before adjustment, and cuts in welfare provision (child benefit, housing benefit, income support, unemployment benefit, etc.) and education are evident. This means that such an increase in UK central spending is due to an exorbitant increase in GDP: GDP in 2019 is £2,116.4, so if compared to the GDP of 2007 - \$1,405.8 – it has increased by 50,5%. Nevertheless, public spending as percentage of GDP has fallen from 41% in 2007 to 38% in 2019 and probably 37% in 2023.<sup>74</sup> This fiscal policy is even more worrisome as it has been applied during a recession, when the government is instead expected to increase public spending to counter the cycle, to offset the lack of investment of the private sector. Counter-cyclical

behavior means an increase in benefits as unemployment is supposed to rise, an increase in lending and a decrease of interest rates. While monetary policy seems to comply with deflationary policies<sup>75</sup>, fiscal policy doesn't: UK government has failed in implementing social security policies to contract the recession, rather it has fulfilled austerity policies that squeezed the public sector since the beginning of the crisis. This is to say that during the crisis inequalities rose instead of diminishing because of defective fiscal policies and tax reforms. The public sector keeps on squeezing welfare services, education and welfare, following the model of the minimal state despite the historical contingency of a recession.

Privatization of schooling and health care is leading to increased social segregation and poor service quality, for market based services depend on fees and profit, rather than quality and affordability. The privatization of universities and the introduction of tuition fees in 1998 has completely changed the schooling system in the UK, which is today the country with the highest tuition fees in Europe, and second only to private US universities in the whole world in terms of fees.<sup>76</sup> Tuition fees were introduced by the Labour government in 1998 with the "Teaching and Higher Education Act" to sustain the growth of the higher education system in the following 20 years as projected by the Dearing inquiry (1996-1997), commissioned by the Conservative J. Major. At the time of publishing, the Labour government devised a means-based tuition fee system, that allowed students to pay in relation to their families' income with a ceiling of £1,000. This sum was to be paid through income-contingent student loans, which replaced the previous student grant of £1,710. Reforms in education in 2004 (Higher Education Act) and 2010 allowed universities to expand the cap, up to £3,000 starting from 2006 and £9,000 from September 2012, as decreasing public spending was dedicated to education. Low-income students are thus compelled to take a loan at the age of 20 – a government loan – that will be repaid in working times at incredibly high interest rates (6,1%, up to a final debt of more than £50,000 for an average student<sup>77</sup>); while high-income students can pay the tuition fees straightaway, without incurring in further debt. Thus, poorer students are less likely to go to

universities and student debt has doubled since 2012, to the extent that it's called "the subprime student loan". *"Debt is unequally distributed. Students who are poor before going to university are more likely to be in debt and to leave university with the largest debts, while better-off students are less likely to have debts and leave university with lowest debts. In 2003, students whose parental annual income was less than £20,480 owned an average of £9,708, and half owned more than £10,392. Students with parental incomes over £20,502 owned just £6,806. So on graduation, the poorest students were 43% more in debt than the richest"* (qtd. in Dorling, 2018:225), therefore socioeconomic position of students' families thus plays a stronger role in student's learning than academic potential, confirming once again the unequal drift of British society. Only 15% of students can pay the tuition fees without taking a loan, while the other 85% most probably will get indebted. (Dorling, 2018: 207-266).

Another victim of austerity is the National Health Service (NHS), that sees decreasing funds from the government and therefore reduction in quality performance. Less and poorer health care has entailed a slight increase in mortality, and a flat trend in life expectancy (that instead has been increasing since World War II). Such a rise in mortality seems to depend on the scarcity of meals, restriction of services, drop in care homes and decreases in social care benefits (the latter fell by a quarter between 2010 and 2016). In the first seven weeks of 2018, a further 12.4% of deaths if compared to the same period of 2013-2017 upset national statistics. Mortality has risen in the last two years not only among the elderly, but among children as well, and especially in babies born to working-class parents. The excess deaths coincide with the period of austerity cuts begun in 2010 with the Coalition government, fuel poverty being one possible reason (no benefit is provided however, since statistics were easily bypassed by changing the definition of fuel poverty: to officially be fuel poor, a household not only has to spend a tenth of income in heating, but it must also be classified as below the poverty line).<sup>78</sup> Household availability and quality has an impact on health deterioration and consequently on the health care system (Dorling, 2018: 268-326). Declining wages,

increasing housing prices, social care cuts on the one side and dependence on food banks, homelessness, increased mortality on the other hand are strictly correlated; action is severely needed to retain the negative effects of austerity cuts, namely *“the withdrawal of care support to half a million elderly people that had taken place by 2013; the effect of a million fewer social care visits being carried out every year; the cuts to NHS budgets and its reorganization as a result of 2012 Health and Social Care Act; increased rates of bankruptcy and general decline in the quality of care homes; the rise in fuel poverty among the old; cuts to the removal of disability benefits. The stalling life expectancy was the result of political choice”* (Dorling, 2018: 323).

*Social unrest: from March 2011 to Brexit and beyond.* When limiting debt becomes more important than securing the well functioning of the social contract, social unrest speaks out the contradictions of an economic mindset that transcends the people behind economics. When government prioritizes monetary and fiscal balance over social safety, inequalities run high and dissatisfaction in society questions the legitimacy of the government, if not democracy itself. Taking back control, taking back democracy, taking back dignity and rights liven up people’s souls in a fight against a system in which they don’t feel represented anymore. This crisis of legitimacy of the British government in the last years is made manifest by the swallow and easy-changing vote of the constituency, who distance itself from representative politics and resorts to forms of post-democracy (Crouch, 2004: 62-75). Referenda, as well as horizontalism and riots are signals of a want of democratic accountability that people claim back to the original constituency. Brexit happened in a climate of strong disaffection for parliamentary and international politics, after decades of increasing social polarization and at least a decade of harsh cuts in social spending, worsening economic conditions for the majority of the population. The policies at work since the 1970s, being deliberately inspired by Neoliberalism and the theory of market fundamentalism, have damaged the social fabric of the UK – and more generally, global social fabric, as explained in chapter 3 – and *“Britain’s ticking bomb”*, as D. Dorling defines it, is about to put under severe stress this system. On March 26, 2011

more than 250,000 (BBC estimates, but according to other newspapers, like *The Guardian* and the *Financial Times*, the amount goes up to 400,000 people) people gathered in London to protest against austerity cuts, unfairly implemented. The very last demonstration of similar size was the 2003 Stop the War march (protest against the Iraqi war); if in 2003 the British people were fighting for peace, in 2011 – after the severe cuts in public spending of 2010 – people were fighting for their lives, as Trade Union Congress (TUC) general secretary Brendan Barber said "*We will fight the savage cuts and we will not let them destroy peoples' services, jobs and lives*" (BBC news, 27/03/2011). The protest took a rather violent drift in some cases, for example a bonfire was lit, missiles were thrown at Piccadilly and banks were attacked, though official demonstrators claim that those criminals were not affiliated to them. Other marches against cuts in public spending - despite their limited size – are worth being mentioned, like the march against the rise in tuition fees on December 9, 2010 and the march against education cuts on November 10, 2010.<sup>79</sup> The march's name in 2011 must recall the reader's attention, for it questioned austerity cuts and it called for an alternative to the neoliberal mindset: "*March for the Alternative: Job, Growth, Justice*". The march fought against a depressing fiscal plan to limit public cuts through unemployment and against an unfair taxation through VAT, whose burden lied basically on the low-income households instead of on bankers and top-income households. The march against the cuts was a march against inequality, against the cultural dominium of TINA, and for a new economic philosophy for the 21<sup>st</sup> century, for a renewed social contract and for social justice. The same sentiment fuelled Brexit, for "*Brexit is the consequence of the economic bargain struck in the early 1980s, whereby we waved goodbye to the security and certainties of postwar settlement , and were given instead an economic model that has just about served the most populous parts of the country, while leaving too much of the rest to anxiously decline*", acknowledges Harris (Seidler, 2018: 52). The loss of certainties is thus embodied in "*a terrible shortage of homes, an impossibly precarious job market, a too-often overlooked sense that men (and men are particularly relevant here) who would once have been certain in their identity as miners, or steelworkers, now feel demeaned and ignored*" (Harris, 24/06/2016), that goes along with

a loss in income and political identity, resentment towards élites and memories of a glorious imperial past. If we can answer to the question “Why were people feeling that they had been left to themselves?”, then we can understand the result of the Brexit referendum. People felt abandoned by years of Tory and New Labour neoliberal practice, which delinked political support from their typical political class and implemented an economic philosophy that worked for the sake of inflation, international finance and individualism; the dismantlement of the social fabric, the weakening of the trade unions, the growing flexibility of the labor market, the retrenchment of the welfare state towards the affirmation of the minimal state caused wealth accumulation and polarization, widespread inequality and discontent. A powerful insight in the 21<sup>st</sup> century labor market is offered by the inquiry of J. Bloodworth “*Hired: six months undercover in low-wage Britain*” (2018): a white British journalist among the poorest – and most commonly Asian or Polish – workers, sharing their lifestyle and facing the same constraints, unveils the black side of the labor market in Britain, made of zero hours contracts, part-time, self-employment, tricky agreements, poor compensation and unpleasant treatment. He works undercover at Amazon, Uber, for a private health care provider, for a car insurance company, gathering data and evidence of the decay of the workers’ career opportunities and contracts. He repeatedly has to fight poor salaries to pay the price of the rent, irregular working hours, unhealthy and random meals, despicable contracts and questionable service quality (especially in the home care sector); he often works with immigrants from the Eastern European countries, who tend to accept shameful compensations and contracts more easily than the average British, and who are therefore blamed for the impoverishment of the labor market (de-skilling, low compensation, poor rights). Thus, social discrimination is added to job competition, ending up in a racist populist discourse most often exploited by the politicians as a scapegoat. The evidence of the precarization and flexibilization of the labor market is also recognized more generally by E. Chiappello and L. Boltanski, who carry out a comprehensive social analysis of the newest trends of capital accumulation and the evolution of the labor market (Chiappello and Boltanski, 1999). After recognizing a weakening of the Left and social classes representation, they also further the

hypothesis of a return of the left to institutionalize the changes of the labor market and devise new forms of social justice. In this sense we may interpret the vote for Brexit and most recently the success of Labour's leader J. Corbyn at 2017 elections: if time is ripe for a change, the age of protest leaves room for the institutionalization of a new order based on a different mindset, which rejects the neoliberal trajectory, passes through the anger of populism and finally launches a new social program based "on the many, not on the few". The key points in Corbyn's manifesto are: end of tuition fees, nationalization of water provision, reintroduction of the 50p top income earners tax, improvement and enlargement of the health care sector, end to zero hour contracts, more police officers and fireman, investment in e-mobility, taxes on super-salaries; his program focuses on renationalization, workers' rights, equality in education, social security and sustainable development (BBS News, 16/05/2017). His words – delivered at the annual Labour conference in 2017 - spoke for themselves when he accuses and rejects the neoliberal shape of the British state:

*Ready to tackle inequality , ready to rebuild our NHS, ready to give opportunity to young people, dignity and security to older people, ready to invest in our economy and meet the challenges of climate change and automation, ready to put peace and justice at the heart of foreign policy. And ready to build a new and progressive relationship with Europe. (...)And we were clear about how we would pay for it by asking the richest and the largest corporations to start paying their fair share. Not simply to redistribute within a system that isn't delivering for most people but to transform that system. So we set out not only how we would protect public services but how we would rebuild and invest in our economy, with a publicly-owned engine of sustainable growth (...). A powerful faction in the Conservative leadership sees Brexit as their chance to create a tax haven on the shores of Europe a low-wage, low tax deregulated playground for the hedge funds and speculators. (...)What matters in the Brexit negotiations is to achieve a settlement that delivers jobs, rights and decent living standards. (...)We will never follow the Tories into the gutter of blaming migrants for the ills of society. It isn't migrants who*

*drive down wages and conditions but the worst bosses in collusion with a Conservative government that never misses a chance to attack trade unions and weaken people's rights at work. (...)now is the time that we developed a new model of economic management to replace the failed dogmas of neo-liberalism. That is why Labour is looking not just to repair the damage done by austerity but to transform our economy with a new and dynamic role for the public sector particularly where the private sector has evidently failed. (...) Labour can and will deliver a Britain for the many not just the few*<sup>80</sup>

J. Corbyn, Leader of the Labour Party, speaking at the Labour Party Conference in Brighton, on September 27, 2017

Whether Labour will embody the alternative to an already rotten system in the UK is to see in the next years, but as of 2018 Corbyn's programme seems to offer a new convincing social narrative, based on new elements of social justice, social security, equality and inclusiveness.

## Conclusion

This historical excursus through the institutionalization and contradictions of Neoliberalism in the 20<sup>th</sup> and 21<sup>st</sup> century gives evidence that the lifecycle of this economic philosophy has already passed its climax and today it faces a momentous crisis of legitimacy. The dogmas of market fundamentalism, as perpetrated since the 1970s, have disentangled economics from the post-war social contract, shaping a new social fabric organized on the same principles that regulate the market, or rather that self-regulate the market. The outcome of the neoliberal definition of society, as an extremely individualistic, dynamic, flexible and deregulated society, has been the erosion of the achievements of the welfare state, among which the fight for equality, workers' rights and the enlargement of state services. If the welfare estate puts people first economics, the neoliberal minimal state puts economics first. Stability, exchange rates and inflation are the key words to understand the functioning of the least state: if you control the economy, then you control the state and therefore society, and not the other way round. The rationality of the state lies in its economic performance, thus the basis of legitimacy of state power shifts from a social contract to an economic contract. Neoliberalism has introduced a new ontological theory of statehood, according to which the existence of the state is intimately linked to the existence of a market legitimizing its operate: Neoliberalism obtains a *"state under the supervision of the market, rather than a market under the supervision of the state"* (Foucault, 1978-1979: 116). The guidelines provided by neoliberal bodies in the late 20<sup>th</sup> century follow this assumption, completing thus the recipe of the Washington Consensus that will become the mantra of IMF, WB and WTO whenever relating to states. All these US-based bodies follow a path clearly dominated by US politics and economics and they have been shaping the world economy since the end of the second World War, aligning themselves towards neoliberal theories when the economic trajectory of the US needed it to secure its political dominium. The end of US hegemony therefore coincides with the decline of the neoliberal mindset, for its main actor withdraws from the international scene after the defeat in Vietnam and Iraq and

the ultimate crisis of neoliberal markets in 2008 – started exactly in the US, in New York, at Wall Street. The early 2000s are years of contestation, of change, of disaffection: global civil society feels betrayed by an economic philosophy that disembeds the economy and that dismantles all the certainties and safety nets of the previous decades. Protests in Seattle, Porto Alegre, Cancún and all over the world after the austerity measures of the 2010s (Greece, Italy, Spain, UK, US, etc.) reawakened a society whose social contract had been broken in favor of economic stability, a stability that the 2008 crisis shook. Now that Neoliberalism has lost both the stability of the markets and the subservience of society, its philosophy is put on trial and room for alternatives is open. The return of a social contract based on a stronger and more accountable democracy is the pretension of a decades-forgotten social fabric jeopardized by years of helplessness and subservience to market ideology. Their claim “Society First”, or “Democracy first”, is a cry of protest against an economy that hasn’t provided the necessary safety nets and the necessary certainties to a working class and to a middle class directly hit by austerity measures and years of inequalities. The crisis of democracy is better embodied by the resort to forms of illiberal democracy, when the liberal ones seems not to represent anymore its social grounds: populism, thus interpreted, is the prognosis of the disease of a broken democracy, that affects the whole world. The size of populism is the size of neoliberal contestation, it’s a form of political manifestation outside the standards and the rules of democracy; it’s indeed a form of post-democracy, directly inspired by anger and discontent.

If time is ripe for change, the British case is the emblem of popular revolt against years of inequalities and cuts to a welfare state already retrenched since Thatcherism. Animated by a sense of Britishness and melancholy for a glorious imperial past, along with anger and adversity to technocracy, the British seized the moment of crisis of Neoliberalism to go on an historical vote on June 23, 2016. The decision to exit the European Union must thus be interpreted as the popular decision to put an end to decades of neoliberal economic supremacy before the needs of the people. Brexiteers are indeed a social heterogeneous group, composed of both working class and middle class, and an

homogeneous group, composed of that 99% of the population that has suffered income restriction, benefit cuts, rise in inequalities and the direct effects of austerity, as opposed to the financial élites – the 1% - that, unharmed by austerity, have kept on accumulating wealth. When the social fabric is compromised, time is ripe for a new political philosophy for the 21<sup>st</sup> century, that doesn't retrieve the leftovers of the 20<sup>th</sup> century, but it devises "*a new narrative of social justice*" (Seidler, 2018: 152). Brexit is the people's verdict on years of neoliberal policies and the emblem for a change that the whole world is claiming. What Brexit will entail in legislative or institutional terms is not the question that this thesis opens; this thesis examines the meaning and the social roots of this vote, not as an European sickness, but as a neoliberal sickness.

The answer to the questions "Are we witnessing the end of neoliberal globalization and the beginning of a new economic philosophy? Is this the beginning of deglobalization and de-neoliberalization?" is embodied by a plethora of movements, of which I personally analyzed Brexit, that seem to confirm the hypothesis that new alternatives to Neoliberalism are taking shape. Brexit becomes the first manifestation of rupture with the neoliberal economic philosophy in the old world, a world which is historically committed to growth and that boasts a special relationship with the US. Hence, this rupture with the past, both in economic, social and geopolitical terms, is particularly meaningful, and Brexit becomes its first product. Brexit confirms that the contradictions of Neoliberalism show up even in those developed countries, that have liberalized "enough" and that have fulfilled the neoliberal agenda since the 1970s; consequently, Neoliberalism itself is to blame for its controversial social outcomes, as already acknowledged in Latin America and Asia. Brexit not only becomes the western questioning of a western-made economic philosophy, it also sows the seeds for an alternative in a political panorama particularly worrisome from the point of view of liberal democracy. In most recent years, politics have been dominated by un- and post- democratic patterns of political representation, as a reaction to the un-accountability of technocracy and the un-representation of party politics – included British, and especially Brexit, politics. Hence the need for a

new order, that re-establishes democracy, representativity, social justice and regulative economics, that may offer an effective solution to 21<sup>st</sup> century challenges and opportunities.

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NOTES

<sup>1</sup> <http://www.worldometers.info/>

<sup>2</sup> United Nations, Department of Economic and Social Affairs, Population Division (2014). *World Urbanization Prospects: The 2014 Revision*

<sup>3</sup> world bank indicators

<sup>4</sup> On geographical discoveries see Fernand Braudel (1999), *European expansion and capitalism*, and Dan Rodrik (2012), *The globalization Paradox*: 4-15. On industrialization see Dan Rodrik (2012), *The globalization Paradox*, 2012 : ch. 2.

<sup>5</sup> It is claimed that the original wording was “because for years I thought what was good for our country was good for General Motors, and vice versa” and that it has been misquoted in “what’s good for General Motors is good for the country”. This sentence was said by Secretary of Defense Charles E. Wilson, former director of General Motors till 1946. The sentence refers to a private hearing with Senate Armed Services Committee to spur Wilson to sell his stocks of GM before undertaking the role of Secretary of Defense, as a response to Robert Hendrickson’s question regarding conflicts of interest. This sentence has become the perfect summary for neoliberal thoughts, for it exemplifies the close link between – or I would rather say the predominance of – economy and politics in the US.

Source: Stiglitz, J. (2002)

<sup>6</sup> <https://www.imf.org/external/np/sec/memdir/members.aspx>

<sup>7</sup> Drahos, P.(2003), “When the weak bargain with the strong: negotiations in the World Trade organization.” *International Negotiation* 8, no.1 (2003): 79-109. Drahos suggests that LDCs should not rely on their number, for number under consensus is not a strength; LDCs should instead focus on a common strategy to reunite under a coalition and foster their needs. The inability to form a coalition is the main obstacle hindering LDCs from bargaining at the WTO, because the group is rather numerous and heterogeneous, and communication among countries is a lot to be desired. According to Drahos, the inspirational standard should be the CAIRNS coalition, led by Australia, focused on agriculture, during the Doha Round.

<sup>8</sup> The term Banana Republic was coined by the American writer O. Henry in 1901 to describe *Anchuria*, the fictional name for Honduras, where he fled in order to escape the Texan authorities. In the short story *The admiral* he writes “a small, maritime, banana republic”, which came to signify a tropical country that depends on a single-crop economy, whose exports are vital for its export-led economy and whose government is typically a military junta or a dictatorship

Source: “Where did banana republic get their name”, *The Economist*, 21/11/2013

<https://www.economist.com/blogs/economist-explains/2013/11/economist-explains-16>

<sup>9</sup> Livingstone, G. (2013), *America’s Backyard: The United States and Latin America from the Monroe Doctrine to the War on Terror* : chapter 2. In the American-Spanish war in Cuba in 1898, the US gave military support to the Cuban independence movement in 1898 in exchange for territories (Philippines, Guam, Puerto Rico), control over Cuban military basis and free trade policy (thanks to the 1901 Platt Amendment to Cuban constitution). A few years later, in 1903, the US army supported the independence of Panama from Columbia, to free a geopolitically paramount strip of territory that allowed the US to build a canal to trade with China, whose control was then detained by the US till 1999. The army even stayed for long periods in a country, such as in the Dominican Republic from 1914 to 1934 and in Nicaragua from 1912 to 1933. Livingstone provides a wide analysis of Monroe Doctrine and US interventionism in South and Central America.

**US Military Interventions in Central America and the Caribbean, 1898–1934**

Costa Rica	1921*
Cuba	1898–02, 1906–09, 1912, 1917–22
Dominican Republic	1903, 1904, 1914, 1916–24
Guatemala	1920
Haiti	1915–34
Honduras	1903, 1907, 1911, 1912, 1919, 1924, 1925
Mexico	1913, 1914, 1916–17, 1918–19
Nicaragua	1898, 1899, 1909–10, 1912–25, 1926–33
Panama	1903–14, 1921, 1925

\* A US naval warship stood by during a boundary dispute with Panama; troops did not land

<sup>10</sup> Livingstone, G. (2013), *America’s Backyard: The United States and Latin America from the Monroe Doctrine to the War on Terror* : chapter 2. She lists all US-driven dictatorships in Latin America: A. Somoza in Nicaragua 1936-1956, R. Trujillo in the Dominican Republic 1930-1961, J. Ubico in Guatemala 1931-1944, T.C. Andino in Honduras 1931-1948, M.H. Martínez in EL Salvador 1931-1944, F. Batista in Cuba 1933-1959.

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<sup>11</sup> <http://www.presidency.ucsb.edu/ws/index.php?pid=29545&st=1904&st1=>

<sup>12</sup> <http://www.presidency.ucsb.edu/ws/index.php?pid=15238&st=Buenos+Aires&st1=>

<sup>13</sup> According to WB database, in 1970 Chile GDP accounted for \$9,126 billion, and in 1990 GDP rose to \$33,11 billion.  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CL&view=chart>

<sup>14</sup> The Monroe Doctrine dates back to the Seventh Annual Message by President James Monroe on December 2, 1823, when he states that: *“as a principle in which the rights and interests of the United States are involved, that the American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subjects for future colonization by any European powers. (...) We owe it, therefore, to candor and to the amicable relations existing between the United States and those powers to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety.”* Source: the American Presidency Project

<http://www.presidency.ucsb.edu/ws/index.php?pid=29465&st=Monroe&st1=>

<sup>15</sup> The Chicago school of economics was the American cornerstone of Neoliberalism, led by the prominent economist Milton Friedman. It was directly funded by the Cold War Programme to prevent the spreading of socialism in Latin America. In the early 1970s Chilean élites united in a club called “Monday club” to organize opposition to the socialist Salvador Allende and they welcomed the Chicago Boys at the Catholic University of Santiago, a private university. Source: Harvey, D. (2005): 7-9

<sup>16</sup> The full text is available online at the link:

<https://docs.google.com/file/d/0B58caGgY9n1zNmZmN2Q4MGQtYzk1Ny00MWE0LWI1YTctYjJmNjlxOTBkMjUz/edit?hl=es>

<sup>17</sup> <https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=CL>

<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CL>

<sup>18</sup> <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?contextual=region&locations=CL>

<sup>19</sup> Created by the Italian scholar Corrado Gini in 1912, this index shows how wealth is distributed among the population. The minimum score is 0, meaning perfect equality; the maximum score is 1, meaning perfect inequality.

<sup>20</sup> The idea of a sudden stop was introduced by Calvo, G. (2005) in *“Explaining sudden stops, growth collapse and BOP crisis: the case of distortionary output taxes”*. Calvo’s theory of sudden stops was mentioned in Rodrik, D. (2012): 109

<sup>21</sup> The cases of China and Japan are remarkable and worth explaining because they pursued a mixed liberalism, much more similar to Bretton Woods Keynesian strategy, rather than the 1990s neoliberal model. They represent the case study for an alternative to small government doctrine and wild deregulation. China has kept capital controls, thus limiting the flux of foreign capitals; it has maintained centralization and planning, avoiding western-like privatization. Free trade and industrialization were spurred by market mechanism and profit, still land remained state property and industrial zones were town’s property (TVE means township or village enterprise). Trade opened up really slowly to protect national enterprises, thus never abandoning tariffs, non-tariff barriers or restrictions on imports. In some areas called special economic zones (SEZ) instead China launched the liberal experiment, nevertheless creating ad hoc rules for these zones, different from the rest of the country. Agriculture instead was stimulated by shifting from commune to individual responsibility, which is a partial privatization (once the farmers had complied with the state quota, the oversupply could be sold at market price for their own profit). State policies and interventions then spurred technological transfer and mergers, and only once the industrial sector had become as strong as a western one, did China join the WTO in 2001. Financial markets however kept on sidestepping short-term capitals and government intervened in currency markets to keep the renminbi low. To sum up, China developed liberal policies, yet it shaped and paced them according to its own needs. Policymakers kept some room to control the gradual implementation of liberal policies, especially during the transition period (1980s-2000s). Thus, China achieved the greatest reduction in poverty in 7 years, unlike other countries who followed SAPs: from 358 million people living with 1\$ per day in 1990, to 208 million in 1997, that is a 41,8% reduction in only 7 years. See: Rodrik, D. (2012): 142-155; Stiglitz, J. (2002): 180-185

<sup>22</sup> IDR values available at WB indicators official website

<https://data.worldbank.org/indicator/PA.NUS.FCRF?contextual=default&end=2016&locations=ID-KR-TH&start=1990> .

Percentage calculation:  $x_2 - x_1 / x_1 = 10013 - 2342 / 2342 = 3,27$

<sup>23</sup> Many sources complain about the somehow protectionist stance of the US about agriculture. For instance, the Canadian delegation to GATT 1947 negotiations strongly objected the exclusion of agriculture from the treaty, which instead included quantitative import restrictions and export subsidies. As quoted in *The Genesis of the GATT*: *“The exception which permitted the use of import restrictions on any agricultural or fisheries product, if associated with production control or a surplus disposal programme, was of great concern to the Canadian delegation for, if used, could nullify import concessions obtained from Members in the GATT”* (Irvin, D. A., and Petros C. Mavroidis, Alan O.

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Sykes (2007), *The Genesis of the GATT*: 116). In post-war years the position of the US on domestic industries is also mirrored in another bilateral agreement, signed mostly with Latin American countries, called the Reciprocal Trade Act (RTAA), which was modified precisely on February 26, 1947 by President Truman, who introduced a clause allowing the US to suspend tariff concessions if imports were damaging domestic production (Irvin, D. A., and Petros C. Mavroidis, Alan O. Sykes, (2007), *The Genesis of the GATT*: 124). W. Bello in *Deglobalization* (2004) mentions protective measures for dairy products, especially milk, and agricultural products, which came to be exempted from GATT's rules (Bello, 2004: 50-54). The US has been unquestionably the most powerful lobby in trade negotiations since 1940s, both in GATT 1947 and during the Uruguay negotiations. It struggled for its interests based on its competitiveness as compared to other international powers. After World War II the industrial supremacy of the US was undisputable, with the expansion of the Ford Ts model, while in the late 1980s the US was suffering competition from new blocs, like Europe and Asia. But in terms of agriculture the situation was the opposite: in post-war years US agricultural products could not compete with cheaper products from abroad (Us agriculture was small-scale, not yet industrialized), while in the late 1980s the US achieved large-scale agriculture and cheap products, ready to dominate foreign markets, especially Third World's ones.

<sup>24</sup> WB indicators, available at <https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=US-DE-JP>

<sup>25</sup> The wording of this principle was devised by Ralph Nader (1934-x), a famous environmentalist and advocate of consumer protection. Qtd. in Bello, W. (2004): 5-6

<sup>26</sup> Biopiracy refers to the act of patenting innovations devised by Third World populations or indigenous communities without their consent, knowing or patenting before. Western pharmaceutical industries appropriate of years-long populations' experience and patent basically seeds, drugs, genes and life forms in general. According to TRIPs even biodiversity and life forms are patentable (art. 27.3 (b)), so western corporations investigate indigenous communities' inventions and life forms, then they apply minor modifications and patent them. Once these seeds or life forms are patented, native communities do not hold the right to use them. Some of these corporations are: Novartis, Aventis, Zeneca ad Astia, Du pont and Pioneer Hi-Bred, Monsanto (mostly 80% of GMO seeds are patented by Monsanto, e.g. Cargill, DeKlab, Calgene, Agracetus, Delta and Pine Land, Holden, Asgrow seeds). Thus, when a corporation is the owner of a seed, local communities must buy those seeds, even if they were the original inventors. For further explanation, see Cavanagh, J. and Jerry Mander (2004): 105-118

<sup>27</sup> On negotiating power at WTO see Drahos, P. (2003), "When the weak bargain with the strong: negotiations in the World Trade organization." *International Negotiation* 8, no.1

<sup>28</sup> For example subsidies have actually risen from \$275 billion (average 1986-1988) to \$326 (in 1999) in OECD countries, and tariffs on agriculture and textiles are still in place (only 13 out of 750 in the US, 14 out of 219 in the EU, 29 out of 295 in Canada have been discharged). Source: Cavanagh, J. and Jerry Mander (2004) : 70-72

<sup>29</sup> DS291: European Communities — Measures Affecting the Approval and Marketing of Biotech Products available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds291\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds291_e.htm)

<sup>30</sup> DS2: United States — Standards for Reformulated and Conventional Gasoline available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds2\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds2_e.htm)

<sup>31</sup> Beachy, B. and Ilana Solomon, "The WTO just Ruled Against India's Booming Solar Program", *Huffpost*, last update 06/12/2017

<sup>32</sup> DS456: India — Certain Measures Relating to Solar Cells and Solar Modules, available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds456\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds456_e.htm)

<sup>33</sup> DS431: China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds431\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds431_e.htm)

<sup>34</sup> In the report one can clearly read that "At the 2001 Doha Ministerial Conference, members agreed to negotiate on the relationship between WTO rules and the multilateral environmental agreements, particularly those that contain "specific trade obligations" (STOs). These negotiations take place in special sessions of the Trade and Environment Committee. Members have agreed that the scope of these negotiations would be limited to applicability of WTO rules to WTO members that have signed the multilateral environmental agreement under consideration." The Doha mandate on multilateral environmental agreements (MEAs) is available at

[https://www.wto.org/english/tratop\\_e/envir\\_e/envir\\_neg\\_meas\\_e.htm](https://www.wto.org/english/tratop_e/envir_e/envir_neg_meas_e.htm)

<sup>35</sup> DS146: India — Measures Affecting the Automotive Sector

available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds146\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds146_e.htm)

<sup>36</sup> DS342: China — Measures Affecting Imports of Automobile Parts

available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds342\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds342_e.htm)

<sup>37</sup> DS46: Brazil — Export Financing Programme for Aircraft

available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds46\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds46_e.htm)

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<sup>38</sup> DS27: European Communities — Regime for the Importation, Sale and Distribution of Bananas available at [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds27\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds27_e.htm)

<sup>39</sup> Casey-Sawiki, K. "Seattle WTO protests of 1999", *Encyclopedia Britannica*, 06/11/2013. available at <https://www.britannica.com/event/Seattle-WTO-protests-of-1999>

<sup>40</sup> In the WSF charter, April 2001 version, among the contributors we can read: ABONG (Brazilian Association of Non-governmental Organizations), ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens), CBJP (Brazilian Justice and Peace Commission), CIVEs (Brazilian Business Association for Citizenship), CUT (central Trade Union Confederation), IBASE (Brazilian Institute for Social and Economic Studies), CJG (Centre for Global Justice), MT (Movement of Landless Rural Workers). The full list is available at <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwif4yV8dLaAhWEcRQKHbfBBPgQFgggMAA&url=http%3A%2F%2Fwww.universidadepopular.org%2Fsite%2Fmedia%2Fdocumentos%2FWSF%20-%20charter%20of%20Principles.pdf&usg=AOvVaw26yzEMtSGh4KKiDiHQ6V7G>

<sup>41</sup> The concept of Bolivarism proposed by Venezuelan President Hugo Chavez, and endorsed by president Evo Morales of Bolivia and Nestor Kirckner of Argentina, embodies the feeling and action plan to get more independent from the US.

<sup>42</sup> The Argentinian collapse was due to massive capital flight and inflation. Under the leadership of President Carlos Menem and the Ministry of Economy Domingo Cavallo, since 1990s neoliberal policies were applied in order to restore the economy, namely privatization, deregulation, the opening up of the market, and a tough monetary policy with the peso pegged to the dollar (1 P/\$). As IMF director M. Camdessus defines it, the Convertibility Plan can also claim to be a Credibility Plan "par excellence" (Address by M. Camdessus at the 1997 National Banks Convention Buenos Aires, Argentina, May 21, 1997). This package allowed to stabilize inflation straightaway, restoring confidence in the peso: FDI increased, as well as exports. Following the Asian crisis of 1997 and the Brazilian devaluation of 1999, investors lost confidence in emerging markets and Argentina couldn't compete with Brazilian devalued currency. Foreign investors lost confidence in the peso, money flew away and austerity policies proved to be ineffective. Bank accounts were frozen, Argentina defaulted on foreign debt, and the peso was devalued. Uprisings against fiscal cuts flooded the country. Capital controls were reintroduced. Source: Rodrik, D (2012): 184-187; Michel Camdessus, (1997) <https://www.imf.org/en/News/Articles/2015/09/28/04/53/spmds9706>

<sup>43</sup> The Basel Committee on Banking Supervision was established in 1974, it resides at the Bank of International Settlements (BIS) and it consists of representatives from world central banks. In 1988, the Basel Committee introduced a banking capital measurement standard known as the Basel Capital Accord and later Basel I, which was signed in 1988 and it entered into force in 1992. Source: Reinert, K. A. (2011): 322-325

<sup>44</sup> Camdessus, M. (1997) *Toward a Second Generation of Structural Reform in Latin America*, available at <https://www.imf.org/en/News/Articles/2015/09/28/04/53/spmds9706>

<sup>45</sup> A speculative attack on a currency occurs when investors' believe that the value of a currency is over-valued and therefore, they sell that currency in anticipation of it falling and buy another currency (e.g. sell their holdings of Pound Sterling and buy Euros). They make money by seeing the value of the currency they buy (e.g. Euros) increasing. Source: <https://www.economicshelp.org/blog/10546/currency/how-speculators-gain-profit-from-currency-speculation/>

<sup>46</sup> Rodrik refers to this option as "Golden Straitjacket". Source: Rodrik, D. (2012): 201

<sup>47</sup> Many academics have studied this phenomenon: the end of the Nation State depends on the rise of regional clusters and on the failure or dismantling of national law. One major contribution is by Kenichi Ohmae in the book *The end of the Nation State*, published in 1996; the discussion is particularly lively in recent times, as you may see many articles concerning this topic in newspapers like Foreign Affairs, The NY Times, HuffPost and so on. This discussion has two possible results: one is the rise of national clusters, and the other is the rise of cities-state. The latter are particularly studied by Parag Khanna.

<sup>48</sup> Further discussion of the role of the migration crisis in European disintegration can be found in Ivan Krastev's book *"After Europe"*, published in 2017.

<sup>49</sup> Just to cite a few: since Bangladesh's independence from Pakistan in 1947 decentralization to the village level and to the sub-district level has been the rule, with the empowerment in 1976 of *gram sabha and gram sarkar* (local government) and in 1982 of *upazila*; in India under the Panchayati Raj after independence there was a three tier system, organizing power in three levels, namely district, block, and village levels; in Nepal the same Panchayati system was in place since 1959, and in 1982 the government passed the Decentralization Act; in Sri Lanka since 1973 the territory is organized in districts; the Philippines have a complex system of decentralized levels according to population average, comprising barangay, municipality, city, province, regional government in the capital and regional

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autonomous governments in regions IX and XII). source:

<http://www.fao.org/docrep/w7712e/w7712e03.htm#TopOfPage>

<sup>50</sup> Boris Johnson in his resignation letter laments the absence of a plan in case of no deal, which suggest that the mantra “No deal is better than a bad deal” is actually only a mantra, for the preparation for no deal has been put off, and finally not really carried out. Johnson also discards the idea of a hard Brexit, because as he says “*Large parts of the economy (are) still locked in the EU system, but with no UK control over that system*”, providing several examples of EU “intrusiveness” in the UK legal system. For the full text of the resignation letter, see BBC News, 09/07/2018

<sup>51</sup> <http://www.ukpolitical.info/Turnout45.htm>

<sup>52</sup> <https://yougov.co.uk/news/2016/06/27/how-britain-voted/>

<sup>53</sup> <https://qz.com/1002422/uk-election-the-rise-and-fall-of-ukip-the-party-that-birthed-brexite/>

<sup>54</sup> <https://www.bbc.co.uk/news/uk-politics-eu-referendum-36612916>

<sup>55</sup> <http://uk.businessinsider.com/brexit-map-2017-6?IR=T>

<sup>56</sup> <https://www.bbc.co.uk/news/uk-politics-36616028>

<sup>57</sup> Office for National Statistics, data available at

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/theukcontributiontothebudget/2017-10-31>

<sup>58</sup> <https://www.bbc.co.uk/news/election/2017/results>

<sup>59</sup> Rodrik, D. (2012). Rodrik focuses again on the options previously presented in the book in a recent article appeared on *The Prospect*, on December 12, 2017 “The great globalization lie”. He identifies two possible consequences to hyper-globalization in terms of democracy: illiberal democracy and democratic re-balancing. The first comprises populism and protectionism, due to the élite’s inability to face the crisis; the second comprises more autonomy to countries and a more inclusive international system. He reminds the reader that globalization is not irreversible or pre-formed, rather it follows men’s rule and it can be reshaped towards a more sustainable model. The article appeared on the magazine *Internazionale*, n.1239 (19/25 January 2018).

<sup>60</sup> <https://www.bbc.co.uk/news/events/vote2014/eu-uk-results>

<sup>61</sup> <http://www.britishelectionstudy.com/bes-findings/what-mattered-most-to-you-when-deciding-how-to-vote-in-the-eu-referendum/#.W3G0Uri-nIU>

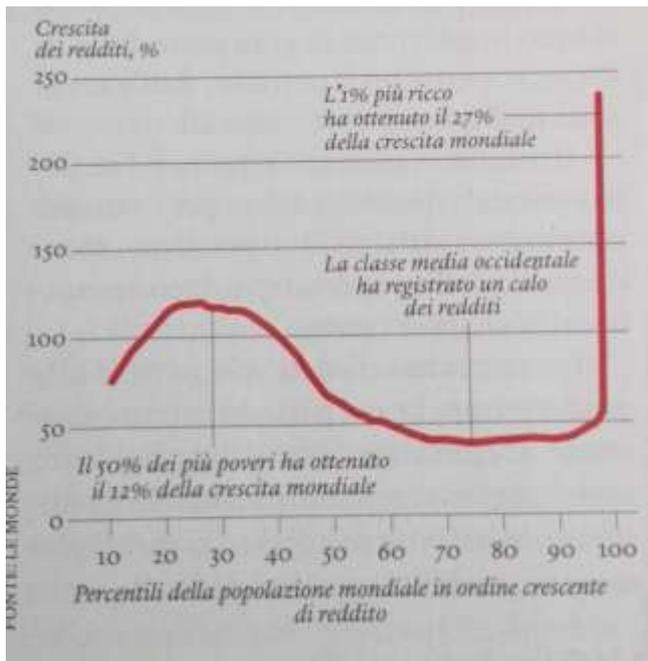
<sup>62</sup> The Factorame case explains how EU legislation supersedes Britain national legislation: the 1988 Merchant Shipping Act states that a vessel to be considered British must have a majority of British people on board, therefore to fish in British waters (or in the quota assigned to the UK by the Common Fisheries Policy) a vessel must be British. Instead, in this case ECJ rules against the Merchant Shipping Act, which was misapplied in favor of the principles of the Common Fisheries Policy, that states that fish stocks are a common good. (Hannan, 2016: 114-115)

<sup>63</sup> European Court of Justice library: [https://eur-](https://eur-lex.europa.eu/search.html?typeOfCourtStatus=COURT_JUSTICE&DB_TYPE_COURT=COURT_JUSTICE&textScope0=title&qid=1533914380402&CASE_LAW_SUMMARY=false&DTS_DOM=EU_LAW&type=advanced&lang=en&andText0=United%20kingdom&SUBDOM_INIT=EU_CASE_LAW&DTS_SUBDOM=EU_CASE_LAW)

[lex.europa.eu/search.html?typeOfCourtStatus=COURT\\_JUSTICE&DB\\_TYPE\\_COURT=COURT\\_JUSTICE&textScope0=title&qid=1533914380402&CASE\\_LAW\\_SUMMARY=false&DTS\\_DOM=EU\\_LAW&type=advanced&lang=en&andText0=United%20kingdom&SUBDOM\\_INIT=EU\\_CASE\\_LAW&DTS\\_SUBDOM=EU\\_CASE\\_LAW](lex.europa.eu/search.html?typeOfCourtStatus=COURT_JUSTICE&DB_TYPE_COURT=COURT_JUSTICE&textScope0=title&qid=1533914380402&CASE_LAW_SUMMARY=false&DTS_DOM=EU_LAW&type=advanced&lang=en&andText0=United%20kingdom&SUBDOM_INIT=EU_CASE_LAW&DTS_SUBDOM=EU_CASE_LAW)

<sup>64</sup> <http://www.europarl.europa.eu/elections2014-results/en/turnout.html>

<sup>65</sup> Milanovic’s elephant chart of income inequality in the world as calculated from 1980 to 2016 shows that the bottom 50% retains 12% of global growth, while the top 1% retains 12% of global growth. The middle class instead experienced a decrease in income. There follows the chart as it appeared on *Internazionale* n. 1236.



<sup>66</sup> <https://wid.world/country/united-kingdom/>

<sup>67</sup> *ibid.*

<sup>68</sup> *ibid.*

<sup>69</sup> [https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=2016&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=69&pr1.y=7&c=156%2C158%2C132%2C112%2C134%2C111%2C136&s=GGX\\_NGDP&rp=0&a=#cs6](https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=2016&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=69&pr1.y=7&c=156%2C158%2C132%2C112%2C134%2C111%2C136&s=GGX_NGDP&rp=0&a=#cs6)

<sup>70</sup> In the “United Kingdom: Staff Concluding Statement of the 2017 Article IV Mission” published on December 20, 2017 we can read: “Over the long term, population aging will put pressure on the public finances, while productivity developments and Brexit-related effects may exacerbate the challenge. The Office for Budget Responsibility (OBR) projects that annual spending on healthcare, long-term care and pensions is projected to increase by 1 percent of GDP between 2020 and 2025, and by much more thereafter (...)Taken together, this means that the UK may in the future face difficult decisions about the desired size of its public sector, as well as the mode of delivery and financing of public services”. In the IMF country focus on February 14, 2018 “UK Economy Must Get More Efficient”, the focus on education and state pensions is clear-cut: “(...) Reform the education system. UK students rank low on tests of basic skills, while UK firms continue reporting shortages of skilled workers, including those with technical education. Better schooling would help young people find jobs, especially once they have obtained a degree. Unemployment rates are the lowest among those with the highest levels of education. Invest in research. Public and private spending on research and development in the UK is relatively low. Increasing such investments would make local companies better able to compete internationally. Create a cushion. The UK should continue to work to put its public finances in order, so as to enable it to better respond to future shocks. While the country reduced its budget deficit, public debt—at 87 percent of GDP—remains high by international standards. In a future clouded by weaker growth prospects and higher public spending in response to population aging, the budget will come under additional strain. To cushion the blow to public finances, the IMF recommends a reduction of generous guaranteed annual increases in state pensions (with targeted help for retirees who need it), as well as tax reforms—such as scaling back preferential value added tax rates, and harmonizing the tax treatment of the self-employed and regular employees.”. links:

<https://www.imf.org/en/News/Articles/2018/02/08/na021418-uk-economy-must-get-more-efficient>

<https://www.imf.org/en/News/Articles/2017/12/19/mcs122017-united-kingdom-staff-concluding-statement-of-the-2017-article-iv-mission>

<sup>71</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms>

<sup>72</sup> <https://www.bbc.co.uk/news/uk-politics-39745253>

<sup>73</sup> [https://www.ukpublicspending.co.uk/year\\_spending\\_2007UKbt\\_17bc1n#ukgs302](https://www.ukpublicspending.co.uk/year_spending_2007UKbt_17bc1n#ukgs302)

<sup>74</sup> <https://www.ukpublicspending.co.uk/>

<sup>75</sup> <https://www.bankofengland.co.uk/boeapps/iadb/Repo.asp>

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<sup>76</sup> <https://www.student-loan-calculator.co.uk/blog/2017/03/tuition-fees-in-england-are-now-the-highest-in-the-world/>

<sup>77</sup> <https://www.bbc.co.uk/news/education-40511184>

<sup>78</sup> Fuel poverty means to heat adequately a house/building despite low income.

<sup>79</sup> <https://www.theguardian.com/news/datablog/2011/mar/28/demonstrations-protests-uk-list>

<sup>80</sup> full text available at <https://labour.org.uk/press/jeremy-corbyn-speech-to-labour-party-conference/>