Money – the ultimate decolonizer?

Conventional development is not delivering for people or planet. If countries in the Global South are to nourish and provide for their populations within ecological limits they will first need to break their financial dependence on international capital. Modern monetary theory offers a way to go about it.

Global South countries face an extraordinary dilemma. Mass poverty is real: more than half of the world population lives on less than what is required to meet basic human needs. People need livelihoods. They need houses. They need public services. How can these needs be met? According to the dominant economic framework, the answer is straightforward: growth. Grow the Gross Domestic Product (GDP), create jobs, and then tax income in order to pay for the things that are necessary to improve people’s lives: healthcare, education, housing, transportation, decent food and so on. Every neoclassical economist will tell you the same thing: GDP growth is the precondition for development. So how do you grow the economy? Here’s where the dilemma appears. One might try to use the same tools of the affluent nations in the Global North – broadly speaking, the US, Canada, Western Europe, Australia, New Zealand/Aotearoa, and Japan – which developed their national productive capacity to supply domestic needs and built industries capable of competing effectively on the world market. This strategy requires protecting one’s economy with trade tariffs and nurturing it with subsidies, boosting wages and public investment, and nationalizing key resources and services. We know that this kind of industrial policy works. In fact, it was used successfully by progressive governments across the Global South in the decades immediately following decolonization. But that path was closed off, beginning in the 1980s. Northern powers realized that the shift toward economic sovereignty in the South threatened access to the cheap labour, raw materials and captive markets they had enjoyed during...
the colonial era. So they intervened, using materials, 800 million hectares of land, 23
South, including 10 billion tonnes of raw goods. Then there’s the cumulative impact of
net income. Recent research shows that rich nations and transnational companies,
unbelievably rich in labour and resources. But for Southern governments, this
is a terrible bind: in order to provide for their people, they have to organize their economies around
chaining sweatshop output) to supply transnational companies, which of course inevitably works to
their advantage. The central fact of international development is that you have to pursue GDP growth economics is to point out that what’s
necessary for basic needs. In reality, GDP is an unnec-
1 Let’s put these ideas to work. The central fact of international develop-
mental model for the Global South. This is why inequal-
ity between the Global North and South has exploded over the past few decades: our approach to development enables an extra-
ordinary transfer of resources and profits from poor countries to rich
countries. For people in the South, their experience has been a gradual and
at an extremely slow rate – not nearly enough to bring people out of poverty by any meaningful threshold, and
definitely not enough to compensate for the exploitation and environmental degradation they suffer in the process.
New monetary framework
Modern monetary theory
Food sovereignty
Colonizers understood the key principle of monetary policy: whoever controls the currency gets to decide how labour and resources are used. This is where modern monetary theory (MMT) comes in. MMT may seem complex at first,
but it’s not designed to be. It’s designed to make sure that our governments have the
resources they need to bridge the gap between our actual human needs and thus achieve their
development goals directly.

Colonial legacies
This arrangement didn’t disappear. It just changed form. Today, the artificial scarcity
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powers, within the limits of the econo-
my’s productive capacity. But to do so, we have to break free from the power of international creditors. That means defaulting on external debt obligations (or at least defaulting on any creditors that prevent them from deficit spending). This might sound radical, but it’s really not. Unilateral default has been used success-
fully by governments many times in the past, and with positive outcomes – it’s just that in today’s neoliberal era it seems so heretical as to be unthinkable. 7

Of course, there would be conse-
quences. Default might make it more difficult to borrow on international markets, at least in the short term (probably around a year). And angering international creditors is likely to cause currency depreciation, which makes imports more expensive – specifically energy and food, which comprise the majority of Southern imports.

Some of these negative ramifications can be mitigated. If, for example, multiple Southern countries co-ordinate default together (the ‘united debt resistance’ that comprised the majority of Southern imports.

energy use while improving social out-
comes,8 but why would they voluntarily make such a transition, when they benefit so prodigiously from the status quo? Of course, we might hope that enlightened leaders will take steps to bring their econ-
omies into line with ecological objectives, or that social movements will eventually force them to do so. But why should we wait around for this to happen?

The approach I’m proposing here – unilateral decolonization – helps solve this problem. The South has the power to enforce degrowth in the North, by refusing to be used as a supplier of cheap labour and raw materials for Northern consumption. Ending this exploitative relationship would require Northern countries to either pay more for resource and labour imports from the South, or otherwise to rely on their own resources and labour. Both options would be more expensive, so Northern countries would have to consume less (ie find ways to meet human needs with more modest amounts of throughputs), and the rate of capital accumulation would decline.

As the 21st century unfolds, we must strive for a world where everyone can live healthy, dignified lives in balance with the planet’s ecosystems. This requires a radical convergence in the global economy: resource use in the North needs to decline dramatically to get back to sustainable levels, while resources in the South must be reclaimed for meeting human needs, converging at a level that is consistent with universal human welfare and ecological stability. By leveraging insights from MMT to enable economic sovereignty in the South, we can take steps toward realizing such a world. Full decolonization remains to be achieved – but it is not out of reach.

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