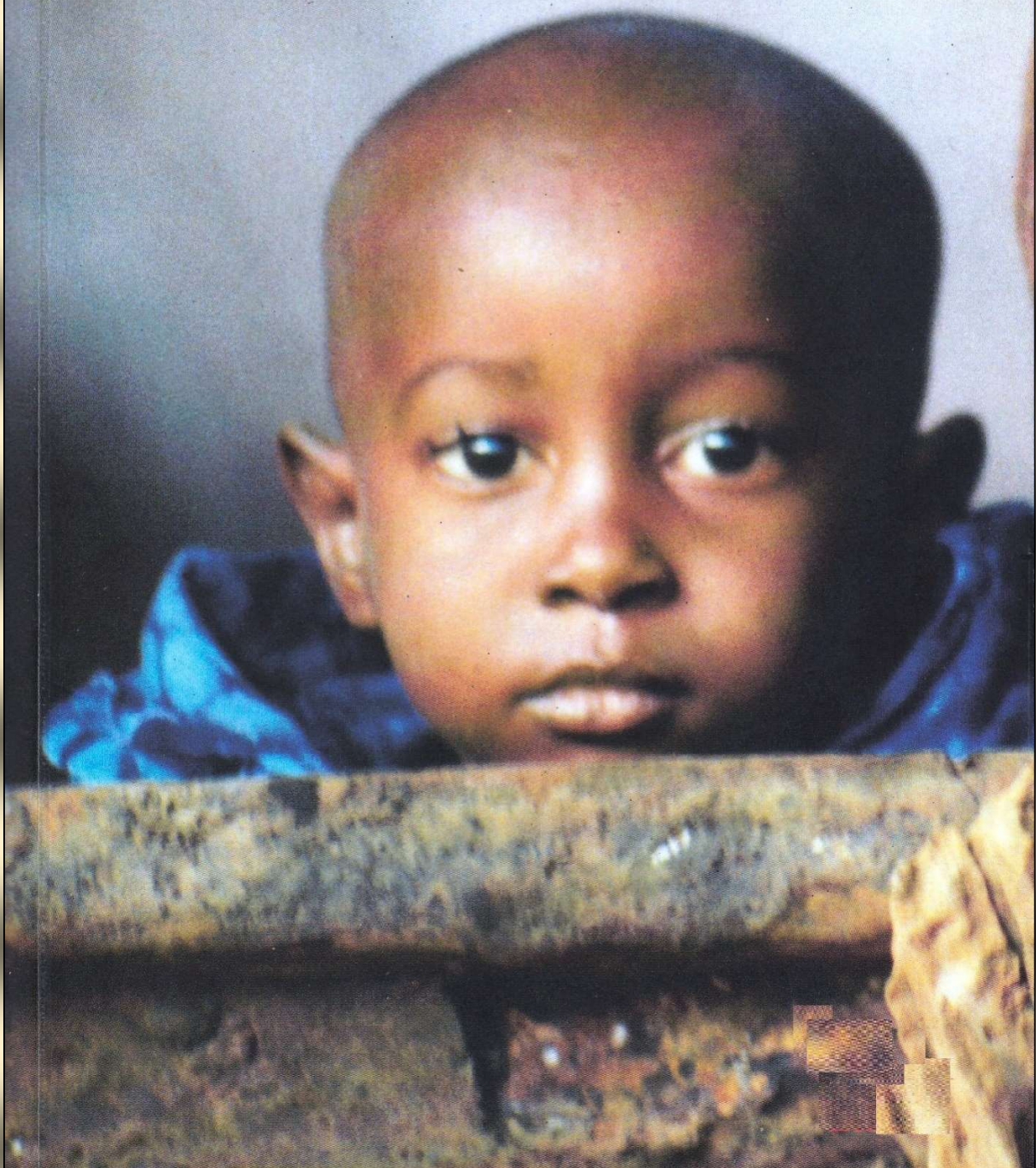


GLOBALIZATION AT THE BEGINNING OF THE 21st CENTURY

(Why are the rich in higher positions in poor countries?)

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(Why are the rich in higher positions in poor countries?)

Prologue of Frederic Borràs i Pàmies

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To the youth of today and, particularly, my grandchildren Sara, Martina, Bruno, Ivan and Aurora who, as also happens with their parents, already dealing with the globalized world.

**Note to the 2nd edition (digital)
December 2020**

Given the good reception that our first edition in Spanish (2002) has had in the Hispanic world, and due to the new world circumstances brought about by the coronavirus Covid-19 pandemic, we have encouraged ourselves to expand our original work this time in English, maintaining the ideas and purpose that inspired the first, although introducing those modifications or extensions that some successful judgments of various colleagues and our own experience have made us see as necessary.

PROLOGUE TO THE FIRST EDITION (2002)

When I began to write these lines to enter the always interesting analysis and proposals of Joseph M. Franquet, that in this case, are devoted to the problems of economic globalization, I can not help but praise the great opportunity to address this issue because its timeliness, that in fact, demonstrates its vital importance.

This current trend is marked even with the blood of Carlo Giuliani in Genoa on G-8 summit in July of 2001, and whose images hit hard on the sensitivity of world public opinion, showing the seriousness of the problem that globalization poses. Fearing further disturbances at the summit of the FAO (the UN Fund for Agriculture and Food), which was to bring together representatives of 185 countries in Rome from 5 to November 7, 2001, the Italian Government was considering if it agreed to host it or not. Prime Minister Silvio Berlusconi admitted that he favored moving it to another place and suggested the possibility of an African country. However, it is noted that the Italian Minister of Justice found that: "if we give in to blackmail, we should remember that the blackmailers will never be satisfied."

In the middle of August 2001, the world press had headlines that read, for example, that "Washington fears the anti-globalization", informing then that the IMF and World Bank annual meeting dramatically shortened for safety reasons, thus confirming the damage that the groups opposed to globalization are causing. But we know that we do not need to go that far, because this summer I have witnessed an important event that has occurred in Barcelona and that was that the World Bank meeting, scheduled to take place in this city, had to be cancelled. But what is this issue of globalization, which raises so many protests and clashes?

In the words of Catalan professor at Columbia University Xavier Sala Martín, globalization is moving freely around the world, offering the same five things to all: information, goods, capital, technologies and people. Globalization is, in short, the new phase of capitalist development that we call "the global capitalist system of free trade."

It is important, at this point also include Susan George, whose Lugano Report, which is also referred to by the author of the book and has been widely disseminated, show interest and concern in our society about these issues, which says "Capitalism is not the natural state of mankind, by contrast, is a cumulative product of human ingenuity, a social construct and as such, perhaps the group's most brilliant invention of all time", adding later that "aspiration to material welfare, here and now, has proved more powerful (if not more accurate) than the promises of communism or religion which support the postponing of gratification to an indefinite future heading or other life."

But like any human endeavor, capitalism in its phase of globalization is not perfect.

One of its major shortcomings that has widened the differences and, therefore, existing inequalities both between individuals within a country and between different groups of countries, notably with the African continent, as a result of immigration issues is causing serious headaches for the authorities of our country and society poses one of the most important issues of our day. It is also discussed in the book. Generating greater inequality is a consequence of the constant progress in any order, and that after, its benefits cannot be enjoyed by all alike, much less at the same time.

Capitalism is based on the free market and non-intervention in order not to hinder and obstruct the action of the "invisible hand" that leads to economic development based on competition and private initiative. This no intervention makes no corrective actions of differences, inequalities and discrimination that it causes. But it is an accepted fact that deregulated and competitive economies, while benefiting many, benefit mostly the upper sector. This is one reason that, as indicated in the above Lugano Report, "the losers are invariably destabilizing the existing system or dominant. The protest organized or diffuse against inequality must be taken seriously ... and the great paradox is that to be a truly free market, you need restrictions, but the trick is to agree on what those restrictions might be."

Moreover, it is also noted that the nature of income distribution is crucial for the welfare of the system in the long term. This was readily accepted by Henry Ford when he said that famous phrase: "Pay your workers enough so they can buy your cars."

All these problems are exacerbated by a series of new circumstances:

- The important growth in recent years of the global population, which has doubled from 3,000 million in 1970 to 6,000 when we began the XXI century. This growth is due, largely, to developments in the field of medicine that have led, first to lower infant mortality and this in turn to a longer life. In this sense we must remember that life expectancy in Spain in the early twentieth century, was slightly more than 40 years of age. While at the end of this century was approaching 80.

- Large increase in production: today, the world produces, in less than two weeks, the physical output equivalent to what would have been produced in 1900. Production, in recent times, has doubled every 25 to 30 years. The problem is the distribution of the wealth that is generated and the need to distinguish between "growth" and "welfare". Nor should we neglect the impact that this growth is producing on the ecological environment.

- Great progress in the field of information technology and telecommunication: The ability to process and communicate have greatly increased, which has led to globalization, the sharing of existing information anywhere in the world and offer any product in any country. It is perhaps in the financial markets where it is most evident that global separation has been abolished by diluting their different

boundaries between previously separate markets: Currently, any person acting in financial markets can not only observe a single market, as Wall Street, but if you want to have any chance of successfully interpreting their evolution cannot ignore what happens in Japan, London, etc. The last stage of this new phase, which will be e-commerce, has just begun.

And in the technological field, also the summer of 2001 saw the announcement by IBM, the discovery of a new chip 100,000 times smaller than a human hair. This breakthrough opens the way to make computer chips much smaller than the current ones, allowing smaller built devices, but also more powerful and that consume less energy. The information provided by the media indicates that this chip is made from carbon nanotubes, i.e., molecules of this element of cylindrical shape, which act as semiconductors. According to officials of that company, these nanotubes are the leading candidates to replace in the future, the current silicon chips that are touching the upper limits of miniaturization.

In this regard it is important to note that, since 1985 when the U.S. Company Intel released its 386 microprocessors, introduced the number of transistors in a silicon chip and has increased this by 152 times. Thus, the computer industry has continued a steady progression in recent decades, in terms of the ability of the chips, which, as Gordon Moore, one of the founders of Intel predicted, has managed to double the number of semiconductors and other components within a chip every eighteen months. This progression has been observed from 1965 to today.

As the professor Sala above mentioned said globalization has not eliminated the local or regional but, in some cases, has even strengthened, in others, has facilitated its expansion. If we take the example of gastronomy; globalization has made it possible to enjoy Japanese cuisine, the typical American hamburgers, French cuisine, Italian or even Chinese. All can be found in Barcelona in addition to the traditional Catalan cuisine.

As a result of globalization, now when we travel, it is difficult to find something to buy with the aim of giving an unusual gift to friends or relatives: most worthwhile things are already on sale in our city. This is what happened to me when "excited" I bought a colorful hammock in that city called Iquitos, in the Amazonas of Perú, which is not accessible by road, while just browsing through the Amazon or by plane. Well, after a few days to get to Barcelona, and by chance I saw in a shop in the *Eixample*, where ornaments are sold from the Andean region, a hammock exactly like the one that I had transported so happily over thousands of miles to my home. The same is true with cheese or French wines, Belgian chocolates or sweets, Japanese sake, American or English clothing, etc.

And since we have spoken of Iquitos, I perfectly remember that, in this very city, that is completely surrounded by the dense Amazon jungle, there is an illustrative example of the negative consequences of globalization that this city has already

suffered in the middle of the twentieth century when market circumstances made it abandon the production of rubber in that area. It could not compete with the productions that were coming from Asia. Iquitos has preserved the abandoned houses and other buildings that show the splendor of that past era. This is just another example of the problems, even in those days, caused by the phenomenon that is globalization. Obviously, over time and for the reasons mentioned above, the consequences, both negative and positive, have been increasing steadily.

To focus on current cases, we will refer to the fact that Tanzania had to withdraw 40 million liters of milk last year because the shelves of their shops were full of cheaper milk from the Netherlands that was subsidized by the European Union. It seems logical that the way forward should be that no financial support be given, to the European milk allowing it to compete with that of Tanzania. Thereby permitting the people of this country to consume their own milk. But in fact, the blatantly unequal tariffs that Europe and the United States apply to the produce of some developing countries make it difficult for them to be competitive and thus develop their own economies.

All the benefits of globalization cannot compensate for major imbalances that have been generated, which could ultimately jeopardize the very existence of the system. A system that is based on freedom, but needs some limitations. The difficulty is to agree on what such limitations should be. Who submits the proposal? What are our options? We the citizens choose what items enter the free market, which advances at high speed a little out of control.

The first strategy was played out by the French Prime Minister Lionel Jospin as he began his electoral race for the presidency of the republic. He proclaimed the need for the implementation of the Tobin Tax in order to curry favor with the growing influence of anti-globalization groups. This type of tax, devised by the Nobel laureate of the same name and is referred to extensively in this book, provides a tax of 0.1% on foreign exchange transactions in foreign exchange markets. The aim of this tax is to curb speculation, besides that which also would fund global development. Jospin announced the proposal at the same time saying that it is imperative that states, non-for-profit organizations and international agencies establish the new terms of globalization.

Catalan politics also had entered the debate of globalization. In line with the interest that this case raises for the European left, left-wing political parties have also felt obliged to address it. Specifically, the leader of the PSC Pasqual Maragall who has contacted the President of the Parliament of Catalonia to debate on violence linked to anti-globalization protests. Maragall assumes that if a tacit agreement between societies at large is not reached between institutional representatives and anti-globalization sectors, the confrontation will be inevitable. According to the president of the Catalan Socialists, when the parties are radicalized, violence becomes more attractive, both for young people to anti-

globalization advocates of globalization, understood as a phenomenon deregulation, ultra-liberal and without democratic control.

This violence took its most cruel turn with the attack on the twin towers on September 11, 2001. When millions of people around the world were watching TV trying to understand the tragedy. While we were watching these events live, trying to persuade ourselves that, apart from other political motivations, this was being brought about as a backlash against the globalization process by a group that wants to remain closed, isolated and impervious to this phenomenon, trying to preserve, at all costs, its own peculiarities, so that it no longer participates in this process.

I am sure that the reflections made in this regard, by Prof. Joseph M. Franquet in the book we present, will serve not only to better understand where to go and the threats facing us, but also give us the keys to glimpse some of the much-needed solutions, all supported in both their technical knowledge and in political pragmatism that, throughout his career, has amply demonstrated.

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I. SOME PREVIOUS CONCEPTS

1. The defining idea of "economic globalization"

In recent times, the debate on the internationalization of the economy "or, more properly, about the" economic globalization "has taken control of the major forums for discussion. Sound protests by groups of disparate and heterogeneous can be heard in many streets and squares of cities where CFO of the world order meet periodically. In fact, such events can be bitter fruits of disappointment. During the First World War they caused political parties to become increasingly ossified and bureaucratic. Brining about the protests on the following different issues: need for protection and safety, public health, equal working conditions for women, protection of ethnic minorities and the environment, removal of architectural barriers for disabled, eradication of illiteracy. This is just the beginning of a long string of incidents; some incurring major damage and some even deaths. Like for example the young Carlo Giuliani, who at 23 was killed at the hands of the Sicilian police 20 years ago in the Italian city of Genoa. These groups have also organized tumultuous demonstrations during G8 summits. Where representatives of the most powerful states in the world gather. It is composed of the United States, Japan, Germany, France, Italy, United Kingdom, Canada and Russia and as a group work alongside the Organization for Economic Cooperation and Development (OECD). As no doubt our readers will recall, in the long-standing agenda of protests against economic globalization a geographical representation has been established with Seattle being the first, followed by other famous cities like, Washington, Prague, Melbourne, Porto Alegre, Okinawa, Nice, Davos, Quebec, Gothenburg and Barcelona. It was here in this Mediterranean city, on the occasion of the European summit of 2002 that that one such demonstration was aborted.

That resistance to what is considered the ultimate manifestation of the capitalist system is based on major inequalities and poverty prevailing in large sections of the world's population¹. This as well as the aim of overcoming the socio-political gap between civil society with the aid of transnational agencies, trying to carry out democratic action for social transformation that is closer to the interests of the majority of the population. The truth is that in the name of economic efficiency (efficiency at lower cost) many attempts are legitimized to enhance human exploitation and, above all the use of children. Under the umbrella of the free market, competition is impeded, while at the same time promoting the commercial exploitation, in some cases to exhaustion, of certain natural resources. Thereby, threatening the sustainability of the planet; it should be noted in connection to this, that the nations that pollute the most are those precisely more reluctant to limit their toxic emissions and also the most convinced advocates of economic globalization. In contrast, there seems no limit to speculative business or the lockouts or closures of companies, which while exacerbating the problems of unemployment, accrue the benefits that are easily obtained in financial markets for owners and shareholders alike.

¹ Vide J. PERRAMON "Les disfuncions de la globalització" in newspaper Avui. Barcelona, July 16, 2001.

Moreover, its importance for our country, is most notably in the trade of agricultural products, which is by no means negligible. In such staples as well as other manufactured goods, some major exporting countries base their strong competitiveness on the low costs of raw materials in the production process, low tax thresholds, low respect for the environment, and the non-existent need for irrigation and, especially, the meagre salary levels of their workers.

Regarding the idea of "globality", the first thing that surprises is its ambiguity. You have the image of a process born in the heat of the current deregulatory power or, at the dawn of XXI century, of a new phase of capitalism; perhaps the wildest, some might say. Other times one might think it is a constant dynamic in time and enrolled in a long process of historical events and that, for example, the largest known globalization process took place in the sixteenth century, and was led by the Spanish Empire². If you consult the extensive literature on the "global economy", which powerfully calls attention to the absence of a rigorous definition of this concept that effects our entire planet in its most important economic scenarios, for better or for worse. One finds, with regard to this, a detailed description of a neat set of features of the current global economic system. It seems from these descriptions that the reader is offered little to assist his understanding of what the "global economy" might be.

According to Federico García Morales, in many cases the concept of "Globalization" asserting itself as a brand-new reality that would come about to impose itself on any other reality, consuming it completely. Hence since devouring the alternate realities, there is only "Globalization" leaving economies, societies, political systems, and cultures that can only continue in any future as areas subject to it. Bearing this approach in mind the idea of "globalization", no longer needs to be justified: it is, in itself, justification for everything that occurs.

The author himself says in his book "The Limits of Globalization", that globalizing capital inflation had other effects that uncovered unexpected outcomes:

1. The growth of savings and investment in peripheral areas and their subsequent cannibalization by transnational capital.
2. The recovery of Europe and Japan.
3. The development of the economies-bubble (the very Japanese, Southeast Asian).
4. The final phase of the Cold War that followed World War II, with its intense arms race that catapulted the U.S. to its hegemonic position in the Cold War.
5. The advantages gained by the new imperial centers in the stripping of old and new colonial areas (Middle East, Central Asia, Africa, Latin America).

² Vide J. L. GARCÍA DELGADO.

6. The expansion of new technologies (computer science and molecular biology).
7. Unrestricted and accelerated exploitation of natural resources.
8. Reforms in food brokers.
9. The full commercialization of mass consumption and its growing concentration.
10. The rapid concentration of industrial capital and financial capital, both in schools and the suburbs.
11. Transnational hegemony over everything that goes with this process.
12. The development of extensive surveillance apparatus supranational economic and financial behavior.

But if we move forward in the study of the intelligibility of this very broad and complex concept that fails to fully disclose its ambiguities, but instead highlighting as its name suggests the building of global relationships. We can arrive at the point that the development of the concept is something of a polythetic-construction with many alternate meanings. That the word itself could be placed at the level of that of "Kuhnian" paradigms.

In this field, very soon the definitions are seen as inadequate and characterizations give way to where they distinguish between those very Habermas³, if not metaphysically, placed emphasis on entry into operation of the newest communication networks, and other sectors that wish primarily to highlight the determining value of consumer and financial production networks, so that the "globalization" is marked historically as a particular moment of capitalist development. In this latest trend, "globalization" becomes a theme of "global economy", to the extent that the global economic crisis can be described as a "crisis of globalization."

Attached to the first sector are those who accept, as an immediate effect, a globalization that creates a huge political transformation, which suppresses the framework of national and state economies, while in the second sector are located those who watch more carefully the relationship between entrepreneurial class and nation states. "...Globalization has benefited some and has marginalized the most ... As is the dominant force in the last decade of the twentieth century, globalization has shaped a new era of interaction among nations, economies and peoples. But it has also fragmented production processes, labor markets, political entities and

³ Concerning the German philosopher Jürgen Habermas, as opposed to positivism of Karl Popper (1902-1980) and the hermeneutics of Martin Heidegger (1889-1976). He constructed an interesting theory of communication activity. After having read Marx in a critical way, and not expecting anything particularly relevant for a proletarian revolution, it advocates a radical reformism, close to the ideals of social democracy. He has participated in numerous intellectual debates on fundamentalism, his effort to understand, through scientific knowledge and religious faith, substantial part of the current controversy.

societies." The study adds that the benefits and competitive global markets can only be secured if the globalization becomes a "human face." "As long as globalization is dominated by economic issues and the expansion of markets, human development will be limited ... we need a new approach to government, one that preserves the advantages offered by global markets and competition, but which allows, at the same time, human resources, community and environmental values, to ensure that globalization works for people and not for profit."

Pablo González Casanova says, for example: ..."We have to think that globalization is a process of domination and appropriation of the world. The dominance of states and markets, societies and peoples, is exercised in political-military terms, financial -technological and socio-cultural. The appropriation of natural resources, ownership of wealth and ownership of over-production were made during the second half of the twentieth century in a special way in which scientific and more advanced technological development combined with ancient traditions. These include animal predation, distribution and parasitism, which now appear as phenomena of privatization, denationalization, deregulation with transfers, subsidies, exemptions and grants, on the one hand. While on the other a fact of deprivation, marginalization, exclusions, impoverished macro processes all of which facilitate the exploitation of workers and artisans, men and women, boys and girls. Globalization means a superficial way that is misleading, if not linked to processes of domination and appropriation"⁴.

A book that provides a lot of definition in this area is the work we can attribute to John Saxe-Fernández⁵. Within the articles assembled, there stands a vision of globalization as "a dimension of the process of capitalism-old business from its origins in some cities in Europe in the fourteenth and fifteenth centuries." And it is linked to a broad set of economic and social factors, as is visible now in the context of capitalist economies. Or more precisely, within the framework of imperialist domination. It is therefore a *historical* phenomenon, not *ahistorical* as claimed by its apologists that intoxicate globalization and inflate the paradigm of this era. And those definitions that relate to the development of capitalism come to be just a hoax and can then be analyzed, as indeed the Saxe-Fernández, "only in the context of the sociology of knowledge", i.e., in the context of consideration of globalization as an ideology.

Another important aspect to note is that globalization also has a touch offensive / defensive. It is a process rather than unite, divide, and geostrategic comes to settle on a torn struggle to overcome a deep crisis which has dragged on, over the last decade, amid increasingly fierce competition for the division of profits and of the territories. Globalization designed in such a way hides its major potential of aggravating conflicts. In this sense, it is not carrying messages of peace,

⁴ Vide P. GONZÁLEZ CASANOVA, "Los indios de México hacia el nuevo milenio", in La Jornada, México, September 9, 1998. Full article can be accessed online through <http://serpiente.dgsca.unam.mx/jornada/>

⁵ Vide J. SAXE-FERNÁNDEZ, *Globalización: crítica a un paradigma*. Ed.: UNAM/Janes. México, 1999.

democracy or progress at all. This can be seen in Chapters 2 ("Six common misconceptions about globalization", by Carlos Vilas) and 4 ("The Next World War: cycles and trends of the global system" by Christopher Chase-Dunn and Bruce Podohink). But such negativity can be seen simply by looking at the latest international developments.

Another trait or characteristic of particular interest: the "whole" or "internationalization" of the economy (or the "Americanization" in successful expression of Tahar Ben Jelloun), often considered, explicitly or implicitly as a "proven fact or axiom, something that is there and should be treated as *per se et essentialiter* emerging from the "unstoppable forces of destiny", a conception that links really well with the "invisible hand of the Creator" of economic orthodox or classical doctrine. Almost no one stops to inquire about the explanatory causes of this situation. Believing that somehow it might be excusable to describe the situation in the simplest way possible and for the employer to deduce or for political strategy to be followed in order to maintain success in his business or their governance⁶.

Nicola Matteucci, has an interesting approach to this from the *Dictionary of Political* coordinate with Norberto Bobbio, proposes the following thesis:

"The road to an international collaboration ever closer has begun to erode the traditional powers of sovereign states. Influence mostly it calls *supranational communities*, trying hard to limit internal and external sovereignty of the Member States, *supranational* authorities have the ability to ensure and to affirm, through appropriate courts of justice, the way their *supranational* law should be applied by States to individual cases: the power has gone to tax and begins to be limited to mint coins. New forms of military alliances diverted to individual States the availability of part of its armed forces, or determine a *limited sovereignty* of the lesser powers against the hegemonic. But there are also new areas, no longer controlled by the sovereign state: the world market has allowed the formation of multinational companies that have a power of decision is not subject to almost anyone and are free from any control..."

"The new mass media allowed the formation of global public exercises, sometimes with success, its own pressure for a state to accept, like it or not, to negotiate peace or to exercise the power to grant a pardon, which at one time was absolute and inscrutable..."

"The fullness of state power is in decline. With this, however, the power does not go away and disappear. Leaving only a particular form of organization of power, which had its peak of power in the political-legal concept of sovereignty".

This thesis was written in 1976, long before the widespread use of the term "globalization". Since 1976 until today many of the phenomena reported by Matteucci have expanded, deepened and intensified. Though the fall of the Berlin Wall in 1989 brought about an end to the aggravation between the two greatest

⁶ Vide M. A. MARTÍNEZ-ECHEVARRÍA Y ORTEGA, "Competitividad en una Economía global", in Status. BBVA Research Department. Bilbao (Spain), 1996.

economic and military powers in history, the United States of America and the Soviet Union, the territories and peoples that made up such a system have themselves passed through the very painful process of joining the *global village*, as Marshall McLuhan called it.

The term *globalization* was proposed by Theodore Levitt in 1983 to designate a convergence of world markets. "Everywhere the same thing is sold in the same way", wrote Levitt. The absolute assertion of this seems unreal to me. The convergence rate referred to exists and is significant. Socially may be referred to a large part of the goods consumed by middle-income sectors of the world. To some extent, holds true for high-income sectors. The capital goods markets, however, are fairly segmented and, of course, the huge social spaces occupied by the still poor "Third World" are almost entirely local markets. This reality means that only a fraction of the demand is global⁷.

2. Homogenization business rules and regulations

The current debate on economic globalization is probably nothing more than the old dilemma between state and market, but now taken internationally. At the time, had to establish what role should be in the market in allocating resources efficiently and even where to get government intervention to ensure the old principle of equal opportunities. In the advanced industrialized societies of the Western world, those doubts were resolved with the implementation of the model called the "Welfare State." Well, this debate is now posed on a global scale simply because of the integration of economies and the rise of telecommunications and information technologies, *but with the added difficulty that, at the supranational level, no it has no policy and political counterweight to monitor this process of globalization and correct it, in a fair and equitable manner, the dangerous abuses that might arise there from.*

In fact, one of the best things that can happen to a developing country is its ability to access the protectionist markets most industrialized countries. But this liberalization should lead, in parallel, labor regulations, tax, environmental and social, with transparent rules and not linked to a specific state or transnational organization. And this is so because the internationalization of the economy has gone faster than its regulation and control by the democratically chosen government -as often happens in other aspects of human activity-. The match started without any guarantee or just the game. *It is simply, to ask that what is accepted and even required to meet national, it is also global;* as appropriate, ultimately, is to decide at which level of government (local, regional, national or supra) should be managed every aspect of the problem or exercise each competition, taking into account the political principle of subsidiarity.

⁷ Vide J. WHITE, *Globalización y Política Económica*. The author is a member of the National Association of Economists and the Mexican Academy of Economics.

In fact, the debate raised is not *protectionism* against *internationalism* or of *localism* against *globalization*, but what form of internationalism must be applied. And it is clear that no attempt should be made to change the present model, which is considered sacred to international trade the right to private property but, instead, be condemned as a despicable form of "protectionism" in the underdeveloped countries, the right to strike, to organize, to enjoy vacations and work in decent conditions, and the duty (especially for large multinational companies) to pay taxes or to respect the environment.

It seems also reasonable to assume that globalization requires the existence of a stable economic social order and commonality among the different economies, as well as an economic-social system more homogeneous in principle between the various business institutions. The market economy is, without doubt, this common meeting place in regard to the configuration of economic and social order, establishing such rules of competition to be accepted by all participants. But at the same time, the business system, which could be called "corporate constitution or statute", must also be similar in competitor countries in terms of its fundamental characteristics, to achieve the transparent operation of their behavior.

3. The liberal panacea of international trade

The statistics used to present a strange paradox that occurs often when speaking of international trade. On the one hand, and from a theoretical point of view, it tends to present international trade as being driven by a host of business initiatives, overcoming the obstacles and impediments hindering that oppose the different states, they can establish mutually beneficial trade relations among all countries on Earth. It seems, in short, as if only the free initiative of individuals were ultimately responsible and beneficial to the trade.

However, on the other side is unanimously agreed that one of the main causes of the growth experienced by international trade lies in the articulation, at the end of the decade of the forties of the twentieth century, the GATT (General Agreement on Tariffs and Trade) and Bretton Woods (the establishment of fixed exchange rates with the active participation in the making of John Maynard Keynes). Agreements, indeed, made possible thanks to the power and undisputed leader of the political and economic interests of the United States after the Second World War. Given this fact, most enthusiastic supporters of "freedom of international trade", which both stress the role of private enterprises, usually tiptoe, as if walking on hot coals, to see that the largest country of the world, promoted everything. The recent history of international trade, in short, shows that momentum was not a result of the dynamic "individualistic" and "neutral" free market, but clearly promoted by a political pact between a small group of major powers, preceded by harsh negotiations, where the asymmetry of power was, and remains, quite obvious.

This is what globalization is; by far it is the work of governments rather than markets themselves. Just after the process became widespread, even among the poorest nations in the world, the biggest concern right now that assails the rulers, theorists and leaders of international organizations and agencies, is to find the magic formula to avoid so-called "force free" runaway market that might lead us to disasters that could be apocalyptic.

Globalization has not caused a crisis to the pre-existing political institutions. Rather it has forced them to self-reform and catch up with the times. If anything, there will be a crisis in old and haggard concepts currently simply do not explain anything: this could be one of the few positive outcomes of globalization. Their future depends, almost all of these institutions. You can not globalize (which means, these days, creating large areas of free trade and economic competition) without action by governments, which are the first to have to agree to achieve the successful achievement of those goals. The effective dangers globalization does not come from the expansion of markets, but the disagreements that may arise between States of the nations involved in the process. *Globalization, moreover, a strategy must be sustained by mutual agreement and subject to rules and rules decided among all, on the contrary, it will become a disaster. More than an economic content, has a political content and that almost all those responsible in the case have taken due note*⁸.

4. Some ideas of J. M. Keynes

Finally, as we referred in passing to Keynes in the previous pages, we see that the great English economist always refused to support the axiom of a balanced budget. This should give pause to some of the staunchest defenders of the "stability budget" have emerged in recent times in our country. It is clear that the defense of this balance amounted to the denial of any role for fiscal policy to stabilize economic activity, not because they refuse stabilization policy, but because it was resting on the dual support of self-correcting forces system and monetary policy measures. The decade of the 30s of last century was very adverse to sustain confidence in this dual fulcrum of a balanced budget.

Responding to the atmosphere prevailing after the great depression of 1929 and the collapse of Wall Street, the contribution of Keynesian theory was to offer arguments capable of denying the validity of this dual foundation of balance in the budget. Keynes⁹ believed, first, that we had reached the end of *laissez faire*: *there is not a natural harmony to ensure the restoration of lost balance*. An economic system can be in equilibrium with forced shutdown. Second, the Keynesian theory doubted that the corrective dose of monetary policy could be really effective. This

⁸ Vide A. CÓRDOVA *La Globalización y el Estado*. Instituto de Investigaciones Sociales de la UNAM .. Among her studies, notes, "La revolución en crisis: La aventura del maximato (Cal y arena)" in Nexus 233, May 1997.

⁹ Vide J.M. KEYNES. *The End of Laissez-Faire*, Editorial W. Wolf and the Hogarth Press. London, 1926.

wise skepticism that Keynes predicated was based on the operating table in monetary policy. Their ability to act resides, ultimately, to vary the money supply fixed independently by the monetary authority of a country.

But this variation of the money supply does not act, according to Keynes¹⁰, directly on the demand for goods. The increased supply of money determines the demand for it, the interest rate, interest which in turn will influence the investment, which consists, with consumption, total effective demand of society that also affects the volume of production and occupation. *Therefore, an increased supply of money does not always raise effective demand.* This will depend on what the demand for money (liquidity preference) and what it is, secondly, the reaction of investors to the fall in interest rate. Keynes said about it-in image that has made a great fortune, that "the liquid can be poured several times between cup and lip", alluding to the fact that an increase in the amount of money, decreed by an expansionary monetary policy could produce no variation in the interest rate, provided that the greed of money demand was such that he was willing to swallow all increases of liquid created by the banking system. This is the famous "liquidity trap" Keynesian, which could put the best and well-intentioned efforts of the monetary authority. But furthermore, even assuming that this is not the case, to which Keynes conceded that could be reached in the future, and that the money supply were able to cut interest rates, would have to see how investors in the country exploited their reductions. Keynes envisaged here an entrepreneurial class with expectations variables, subject to frequent and exaggerated changes, fears and whims cyclical passengers, and deal with this volatile business class there was a credit market characterized by stable interest rates, "the least movable elements in today's economy", said Lord Keynes. Thus, the movement of business expectations (i.e., the "marginal efficiency of capital") determined spectacular moves of the investment could not offset the monetary policy for their inability and delay in reducing interest rates. *The end result was that monetary policy lost its energy in the transmission chain stormy effects.* The liquid, in effect, *could leak several times between cup and lip.* And therefore, the ailing body of the economy could not receive any tonic effect, which was affirmed the great doubt on the effectiveness of monetary policy.

Now, finally, that the famous "Tobin tax", to which we refer more specifically later, is a proposal that illustrious American economist, a follower of Keynes, which is nothing more than an upgrade of another proposal of the English grandmaster. Indeed, in the famous chapter XII of the *General Theory* is designed as a tax on transactions, in order to link their actions investors permanently. Tobin in 1971 transferred this idea to the currency markets, at that time, USA farewell to the system of fixed exchange rates established in Bretton Woods agreements and at the same time, the first electronic money transactions by computer promised a huge increase in the number of operations to perform. Tobin sought to slow the

¹⁰ Vide J.M. KEYNES. *The General Theory of Employment, Interest and Money*. Ed.: McMillan, C. London, 1936. Versión castellana por E. Hornedo: *Teoría General de la Ocupación, el Interés y el Dinero*. Ed.: Fondo de Cultura Económica. México, 1958.

process to be less and speculate that exchange rates do not fluctuate much. Today, in which anyone can trade on the stock market from home, with a simple PC with an ordinary modem communication, this problem has been dramatically increased.

It is currently unrealistic, moreover, returning to a system of fixed exchange rates for the protection of the coins, as major international speculators leave the issuing banks off side in their maneuvers and manipulations. The most important example we had a few months ago in Argentina, which docked its national currency “el peso”, directly to the U.S. dollar, with the dismal and undesirable results that led to the catastrophic crisis of early 2002. These exchange rates are dangerous compelling invitations to speculation: traders bet on whether central banks are willing and able to defend the exchange rates agreed.



II. THE ALLEGED BENEFITS OF FREE TRADE

1. The political origins of international trade

Since ancient times, countries of the world have maintained trade relations for products or goods they lacked. Early in the history of world trade, each country determined its policy according to their own needs, regardless of general interest. Mercantilism remained until the eighteenth century. But the protectionist mercantilist doctrine happens advocacy of *laissez faire, laissez passer* of the Physiocrats¹¹ to the free trade of goods which drives *a fortiori* an undeniable growth of production and wealth creation. The Industrial Revolution also had an impact on this state of affairs, being necessary to ensure the supply of raw materials and find new outlets to an increased production, which resulted in the development of colonial trade that favored the dominant economies at the expense of the dominated.

The political origins of international trade explain the importance of competition has been and is in its development. It should be noted that, as pointed out by Carl Schmitt¹², the concept of "enemy" is central to the merits of the political. In this sense, one might say that this emphasis on providing aggressive international trade, primarily emphasizing their competitive edge, and considering it as inseparable from diplomacy (parodying the quarterback-Baron Von Clausewitz, some two hundred years ago, we would say something like that "trade is the continuation of politics by other means") is just another reflection of the statist mentality director of the entire process, which tends to understand trade as an alternative mode of continuing harassment among countries. Looked well, no one has to wonder almost military language (or paramilitary) used in books and manuals of the "competitive strategy." Sometimes you are not sure if they are aimed at general warlike, to guerrilla leaders or peaceful business executives.

In contrast to all of the above, it is worth to mention how such "neutral" or apolitical with orthodox economic theory that aims to present international trade¹³. Since the first models designed by A. Smith and D. Ricardo, with his schemes based on absolute and relative advantages, respectively, to the most recent and sophisticated models, such as the Heckscher, Ohlin and Samuelson, or that of Linder¹⁴, who simply noted below, the phenomenon of international trade occurs with an aseptic and political neutrality, that much have more to do with physics meteorology or dynamics of aquatic systems that with the professional behavior of human agents of flesh and bone.

¹¹ French school of economic thought (1756-1777) who advocated "free trade" as opposed to the mercantilist theories to use. His chief deputy was Dr. François Quesnay, author of the famous "Tableau économique", a precursor of the *input-output* tables of W. Leontieff.

¹² *Vide* the second corollary in *Der Begriff des Politischen*. Text von 1932 mit einem Vorwort und drei Corollarien. There Spanish edition, namely: *El concepto de lo político*, Alianza Editorial, Madrid, 1991.

¹³ To review the genesis of theories of international trade, consult the book of R. Backhouse, *A History of Modern Economics*, Oxford, 1985. Spanish translation is in Alianza Editorial, Madrid, 1988.

¹⁴ *Vide* S. B. LINDER, *An Essay on Trade and Transformation*, 1961.

2. The sources of free trade movement

What is not in doubt is that the free trade movement was in its beginnings, a movement of intellectuals. It is situated in one of the points of convergence of two essentially different streams: *economic liberalism*, the implications of free trade were clarified by Ricardo in 1815, and *utilitarianism*, which sought to guide the management of public affairs to the permanent search of general interest or "common good" so that only supported liberal-inspired measures to the extent that they could ensure the most 'useful' community as possible¹⁵.

If we consider now that the "usefulness" of the community is the sum of the "profits" of its individual members, it would be desirable to make a small annotation on the theory of consumer behavior, whose starting point is the assumption of rationality used. It is assumed that the consumer chooses between all possible consumption alternatives, so that the satisfaction derived from the property chosen (in the broadest sense) is maximized. This means that you realize the alternatives presented to it and that it is able to evaluate them. All information concerning the consumer satisfaction obtained from different amounts of goods and services consumed by it, is contained in its so-called "utility function", which is under review by the microeconomic theory.

The concept of utility maximization and was empty of any meaning senses. The assertion that a consumer will experience more satisfaction or utility of a car than a set of clothes, it means that if you submit the choice of receiving the car as a gift or clothing would choose the former. Assets that are necessary to survive as a vaccine when an epidemic is declared, the consumer may be most useful, although the act does not necessarily attached to consume any pleasant sensation, like an annoying prick.

The nineteenth century economists W. Stanley Jevons, Léon Walras and Alfred Marshall considered measurable utility, which is measured as the weight of objects. It was presumed that the consumer had a cardinal measure of utility, v. gr., which was able to allocate to each asset or combination of a number representing the amount of profit associated with it. The numbers represent useful quantities could be handled the same way as the weights of objects. If we assume that the value of A is 15 units and 45 units of B, the consumer will prefer three times more B than A. Differences between utility rates could be compared, it can lead to curious reasoning as follows: "A is better than that B twice what C is preferable to D". The nineteenth century economists also assumed that the additions to the total consumer utility resulting from the use of new units of a product, the more you consume decreased it (something like the "law of diminishing returns" in agriculture).

The assumptions on which is built cardinal utility theory are very restrictive. Equivalent conclusions can be drawn based on much weaker assumptions. Thus,

¹⁵ Vide P. LÉON, *Histoire économique et sociale du monde*, Armand Colin, 1978.

if the consumer gets a more useful alternative to that of a B, is said to prefer A to B¹⁶. The assumption of rationality is equivalent to the formulation of the following statements: 1. In each possible pair of alternatives, A and B, the consumer knows if you prefer A to B, B to A, or are undecided between them. 2. Only one of the three above possibilities is true for each pair. 3rd. If the consumer prefers A to B and B to C, also prefer A to C. The last statement ensures that consumer preferences are consistent or satisfy the *transitive property*: If you prefer a car to a wardrobe, and this, in turn, to a bowl of soup, also prefers a car to a bowl of soup. If one considers, finally, that A is preferable to B and B is preferred to A and, consequently, consumer preferences to A and B are the same, we will be in the presence of a "strict order relation" from the point of view of Set Theory.

The assumption of rationality, as set out above, only requires that the consumer is able to classify goods and services in order of preference. The consumer has an ordinal measure of utility, or do not need to be able to assign numbers that represent (in arbitrary units) the degree or amount of utility you get from the articles. His classification of them is expressed mathematically as the aforementioned "utility function", which is not unique and is continuous and its first and second partial derivatives. It associates certain numbers with different quantities of products consumed, but those numbers provide only a ranking or order of preference. If the utility of alternative A is 15 and the B is 45 (that is, if the utility function associated with the number 15 with the alternative or A and the number 45 with the alternative B) can only say that B is preferable to A, *but it is absurd to infer that B is three times better than A*.

This new formulation of the principles of consumer theory did not occur until the late nineteenth century. It is notable that consumer behavior can be explained as well in terms of an ordinal utility function as in those of a cardinal. Intuitively, one can see that consumer choices are completely determined if you have a classification (and only one) of the products according to your preferences. One can imagine the consumer possessing a certain list of products in descending order of desirability, as perceived disposable income starts buying products by the beginning of the list and come down as much as you can this income¹⁷. Therefore, it is not necessary to assume that it has a cardinal measure of utility is sufficient to support the hypothesis, much weaker, that has a consistent ranking of preferences¹⁸.

¹⁶ A chain of definitions must stop sometime. The word or tense "prefer" (third person singular present indicative) could be defined as meaning "more like that", but then the latter term should be left, in turn, undefined. The term "prefer" to find hollow of any meaning related to a particular sensory pleasure.

¹⁷ It is irrelevant how much you want a particular item in the list, always choose the item before it occupies a higher place.

¹⁸ *Vide Microeconomic Theory (A mathematical approach)*. Translation into Castilian in Ariel Ed. Barcelona, 1962. Cited in the bibliography.

3. The failure of the old and new models

And Ricardo in the nineteenth century had explained that the international division of labor was working for the interest of the countries participating in the trade, win-win with the exchange, which was, somehow, a positive-sum game, which was necessary for each country to specialize in those areas where productivity was higher (or less weak, in the case of the backward countries), other theories have been advanced to explain the impetus of the new industrial countries in world exports¹⁹.

Indeed, every country has the classic factors of production: land, labor and capital, in the amounts of their own time and its economy. Each product type requires a fixed proportion of these factors. For example, to produce steel is a need for more capital to produce textiles and consequently, the steel will be less expensive where capital is abundant factor, as will textiles where labor is abundant and therefore, cheap. And potatoes are also cheaper where there are more agricultural land soil and climate suitable for cultivation. Well, if there is total free trade, each country wants to specialize in the production factor that has in abundance and export production. This is, in short, the theory developed by Heckscher and Ohlin Swedes in 1933 and retaken by Samuelson years later. The initials of these economists are famous theorem named after HOS (Heckscher-Ohlin-Samuelson).

However, the reality has come to refute the veracity of these models. According to them, one should expect the countries where capital is abundant factor exported high value-added products whose manufacture requires the use of this factor in a large proportion, but this has not been the case. The USA and the EU are two major exporters of unprocessed agricultural products. Also in the bloc of Eastern Europe and during the long Soviet rule, the main exports of the former USSR (Union of Soviet Socialist Republics) to its European satellites were energy (oil and natural gas) when, within the COMECON or CMEA (Council for Mutual Economic Assistance), the USSR was a country with a high proportion of capital factor.

Moreover, the American economist and Nobel laureate of Russian origin W. Leontieff²⁰, in a study published in 1953 on the United States, demonstrated the expertise of that great country in products and exports having labor as a main component. However, based on the free trade models identified, how could the U.S. enter the blatant contradiction of being competitive in products which are labor intensive, yet knowing that their labor costs are high?

To assess the advantages and disadvantages of globalization it is necessary to distinguish between the various forms that it adopts, since different forms can lead to positive and negative results. The phenomenon of globalization encompasses

¹⁹ Vide Ch. BUHOUR, *Le commerce international. Du GATT à l'OMC*. Le Monde-editions, 1996. There are Spanish translation of Francisco Ortega on Salvat Editores, S.A. Barcelona, 1996.

²⁰ Be the author of the famous "paradox of Leontieff" statistical studies, the father of *input-output* tables refutes the neoclassical theory of the specialization of countries according to their factors of production.

international free trade, the movement of capital in the short term, direct foreign investment, to migration, development of communication technologies and their cultural impact. For example, the liberalization of capital movements in the short term, with no compensatory mechanisms to prevent and correct "the speculative pressures have already caused serious crises in various regions of medium development: Southeast Asia, Mexico, Turkey, Argentina... These crises have generated great hostility toward globalization in the affected areas. In Argentina we have a recent example. Yet it would be absurd to deny systematically international capital flows, which are prerequisites for economic and social development of peoples.

In general, as has been argued in previous sections of this issue, international trade is positive for all economic progress and social goals of eradicating poverty and social exclusion. However, trade liberalization, but beneficial to the whole of the country concerned, it causes seizures in some areas which require state intervention. Hopefully radical advocates of free trade to accept the Pareto criterion, so that those affected by the overall progress will be jointly compensated!²¹

It should therefore be on guard and subject to rigorous analysis chants to the benefits and wonders of free trade, which are based on apparently "very neutral" models. According to these models, international trade is a "naturally beneficial" process, so that if it were not for the damn hindrances and obstacles that interfere governments of nations (the ever-maligned public sector), would be a fair, healthy and equitable wealth and peace among all peoples of our blue planet.



²¹ *Vide* A. MARTÍNEZ-GONZÁLEZ TABLES, *Economía política de la globalización*. It is a comprehensive reflection of globalization, which he considered a multifaceted process, diverse and interrelated, resulting from development of transport and communications, and ideological projection of a global thinking. Focused on its economic dimension, is written from a conception of economics which fits with classical authors. The idea that "the losers must be compensated" as applied, for example, the area of influence of a nuclear power plant, and improves overlaps that strictly environmental "polluter pays" the whole society is also receiving the electricity production (nationwide) who must compensate the possible recipients of evil and the people subject to the risk of explosion or uncontrolled radioactive leak.

III. THE OLD THEORIES OF DAVID RICARDO

1. The models for the absolute and relative advantages

It was the English classical economist David Ricardo (1772-1823) who proved that not only in the case of absolute advantage there appears specialization and international trade between two countries. It may happen that one has no absolute advantage in producing any good, i.e., you need more of all factors to produce each and every one of the goods and services. However, it so happens that the required number of factors to produce a unit of property, in proportion to that required to produce one unit of another, will be lower than that of the country with the absolute advantage. In this case we say that the country in which this happens is "relative or comparative advantage" in producing those goods.

According to D. Ricardo "in a system of completely free trade, each country naturally invests their capital and labor in more profitable jobs. This pursuit of individual advantage is admirably connected with the universal welfare. Distribute the work in the most effective and economical as possible to stimulate the industry, rewarding talent and making more effective use of unique skills with which nature has endowed, by increasing the general mass production, spreading the benefit by all nations, uniting them with the same bond of common interest and exchange. It is this principle which determines that wine produced in France and Portugal, where cereals are grown in America and in Poland, and England produce hardware items and others" (David Ricardo, *Principles of Political Economy and Taxation*, 1817).

But why a country specializes in a particular product? The answer seems obvious: each country will specialize in products that they can produce with an advantage over other countries. And what does produce profitably? Adam Smith (1723-1790) responded to these questions by stating that countries will specialize in producing those goods for which they have an *absolute advantage*, i.e., *capable of producing the same number of goods using less labor*.

His disciple David Ricardo went a step further: it proved that all countries can benefit each one specializing in the production of goods even though they have absolute advantage in them enough to have *comparative advantage*, ie, *capable of producing a lower price*.

The following table frame or enlighten us on the above concepts.

Table no.: 1. Absolute advantage.

TABLE ABSOLUTE ADVANTAGE			
	Spain	France	Total
Number of workers	10	10	20
Hours per month per worker	140	140	
Hours on each pair of shoes	2	4	
Hours each coat	10	7	
Monthly production unskilled			
Pairs of shoes	$5 \times 140 / 2 = 350$	$5 \times 140 / 4 = 175$	525
Coats	$5 \times 140 / 10 = 70$	$5 \times 140 / 7 = 100$	170
Monthly production specializing			
Pairs of shoes	700	0	700
Coats	0	200	200

Let's start by understanding the arguments of Adam Smith's absolute advantage with a simple example. Suppose there are two companies, one Spanish and one French, working on tanned skin. Both companies have 10 workers each, who work 140 hours per month. Spanish workers are more skilled manufacturing shoes: a pair of shoes made in just two hours while French workers need four hours. However, the French are more experienced with fur coats, producing one in seven hours while the Spanish need ten. That is, the Spanish have an absolute advantage in the manufacture of shoes (they need less time for them) while the French have an absolute advantage in the manufacture of coats.

If there were no international trade, both the Spanish and the French company would have to devote half of its employees, v. gr., to make shoes and the other half to make coats. Every month the Spanish could produce 350 pairs of shoes and 70 coats while the French company would produce 175 100 pairs of shoes and coats. But if there is the opportunity to specialize and exchange goods through the Pyrenean border or by sea, companies can devote all their workers to production that are more skilled, Spanish getting seven pairs of shoes and two hundred French coats. As a joint production has increased (before there were only 525 pairs of shoes and 170 coats in total) trade will benefit both countries, which may have more shoes and coats.

Let us now consider the arguments of David Ricardo on comparative advantage or relative. Imagine for a moment, the behavior of the same companies the previous example in the case that the French have an absolute advantage in producing both goods. Suppose that both are featuring ten men each, who work 140 hours per month. We will maintain the assumption that French workers are better with their coats, making one in seven hours while the Spanish need to spend

ten hours. But now the French are also more adept with the shoes, making a pair every two hours while Spanish workers need to devote four. If there is international trade between their countries, both companies will have to devote some of their workers to each of the products. Suppose, as before, the Spanish company dedicated half of the workers to each property, thus producing 175 monthly and seventy pairs of shoes, coats. To facilitate understanding of the model, should we suppose now that the French company devotes seven workers in the production of shoes and coats the three, which will get 490 pairs of shoes per month and sixty coats.

Although the Spanish company is less efficient in producing both types of goods, has a comparative advantage in producing coats. Note that, if there is international trade, the price of Spanish coats equivalent to 2.5 pairs of shoes, while the French will cost them a coat as well as 3.5 pairs. That is, the French are more expensive coats, compared to shoes, which the Spanish. A smuggler awake could try to exploit the situation, leading Spanish coats and shoes France French Spain.

The resulting picture is as follows:

Table no.: 2. Comparative or relative advantage.

TABLE COMPARATIVE ADVANTAGE			
	Spain	France	Total
Number of workers	10	10	20
Hours per month per worker	140	140	
Hours for each pair of shoes	4	2	
Hours for each coat	10	7	
Price coat/shoes	1/2.5	1/3.5	
Monthly production unskilled			
Pairs of shoes	$5 \times 140 / 4 = 175$	$7 \times 140 / 2 = 490$	665
Coats	$5 \times 140 / 10 = 70$	$3 \times 140 / 7 = 60$	130
Monthly production specializing			
Pairs of shoes	0	700	700
Coats	140	0	140

If the Spanish company devoted all his employees to make coats and France to produce his own shoes, the overall result will be seven pairs of shoes, all French, and one hundred forty coats, all Spanish. The overall result is still higher than would be achieved if specialization was not possible. However, both countries may have more shoes and more coats than before, so both will benefit²².

²² Vide J. MARTÍNEZ PEINADO & J. M. VIDAL VILLA, *Economía Mundial*.

However, the reality of the high integration of the industrial sectors of modern economies makes the most of the importing and exporting countries while the products of many industries, whether in the form of components, either semi-finished articles final product. The theoretical framework conceptualized independent and isolated economies, each specializing in different products depending on their "relative or comparative advantage" based on the Ricardian model just discussed, no longer fits the current reality, as it once did.

Finally, referring to Adam Smith, say his "Research on the Nature and Causes of the Wealth of Nations" (*The Wealth of Nations*), published in the year 1776, was an extensive and impressive research about the conditions that promote or hinder the economic welfare of the peoples of the world. Among the major impediments against which accumulated facts and theories, they have considerable interference in international trade (which we refer in the next section) that had been established by the "mercantile system", and including, in particular, import restrictions.

No one currently designated as Adam Smith with the word "father of political economy". We know that took a lot of his predecessors, like Petty, Cantillon, and above all, of the Physiocrats. Moreover, the theories he displayed more than two hundred years have been so many corrections that contemporary economists cannot be regarded as their direct heirs. However, no one thinks argue the title of "chief of the classical school".

2. Barriers to free international trade intermediaries

Moreover, an international trade regime of perfect free trade, ie, an idyllic location in which there is free movement of goods and services between countries without any obstacles or barriers, it has been ever in world economic history. There have been, yes, moments of greater or lesser degree of liberalization in international economic relations, but have always been some difficulties imposed by countries against the free movement of goods. In economic literature, to these kinds of provisions are referred to *protectionist measures*.

The arguments used to justify the establishment of such measures are diverse. Sometimes the aim is to protect an industry that is considered strategic for national security. Sometimes these measures are taken to try to promote industrialization through import substitution process for products manufactured in the home country. Another argument in defense of protectionist measures is to help the development of "infant industries"²³, i.e., industries that could compete with other countries that have developed earlier.

These are ultimately the reasons for protection:²⁴

²³ Vide F. MOCHÓN, *Principios de Economía*. Ed.: Mc Graw-Hill. Madrid, 1995.

²⁴ Vide MILLET, M. in *La regulación del comercio internacional: del GATT a la OMC*. Collection of Economic Studies, No: 24. "La Caixa". Barcelona, 2001. Cited in the bibliography.

- *For national security.* In addition to the arms industry, protect certain economic sectors considered vital to provide defensive measures, such as shipbuilding and aeronautics.
- *To eliminate economic dependence* in sectors considered essential to industrial operation, such as steel.
- *To protect the domestic industry.* This argument is and has been used by small countries, countries facing balance of payments, mono-exporters and, in general, many developing countries want to ensure their economic independence and / or enhance their low ability to generate foreign exchange.
- *To defend specific economic sectors* that not only has an economic function as fundamental as human food, but they play an important social and environmental role, such as agriculture.
- *To defend certain cultural values,* such as the audiovisual industry and its linguistic and anthropological component.
- *To guarantee social peace in the short term,* thus protecting domestic industries and their workers collective painful adjustment costs that would result from free trade.
- *For reasons purely revenue collection,* since tariff revenues are, in some countries, one of its main sources of tax revenue and therefore capable of easing the tax burden borne, after all, citizenship.

Trade policy affects international trade through tariffs, quotas or import quotas, nontariff barriers (such as food, plant or animal, see the recent cases of olive pomace oil, bovine spongiform encephalopathy and foot and mouth disease) and export subsidies. A tariff is simply a tax that the government requires foreign products in order to raise their selling price in the market and thus "protect" domestic products so they are not subjected to competition from cheaper goods from abroad.

There are varying degrees of openness of a country to international trade. The more closed, absolute autarky, would refuse any import, a small degree of openness would allow imports of products that could not be manufactured inside the country, if it is finally given full freedom of trade, one would expect that only were imported products could be manufactured locally at a cost too high. But what we observe in the real world is more advanced: very often as products that could be easily manufactured by the importing country (cookies, shirts) but it is more advantageous to buy abroad.

Some Western countries (the United States of America are a good example) advocate the liberalization of foreign trade when it comes to opening new markets

for their exports, but immediately set restrictions on imports of products from third countries when gaining ground for the markets. One could cite numerous cases, from the position of the United States before the Spanish footwear, clementine tangerines (with apologies strange plant based on the occurrence of Mediterranean fruit fly larvae in a fruit) or imposing forced Spain to import maize and sorghum USA, to the French to Italian wine, going by that of some Western countries over cars, sound equipment, photographic and computer and various other Japanese products.

3. The protection of agriculture

It has long been true that European farmers have benefited from a real support of its activities, reflected in export subsidies and import duties if the EU price was above the world price.²⁵ On the other hand, the domestic support of agricultural prices in the EU kept the income of farmers, but induced a state of permanent overproduction. By the Blair House agreement (renegotiated at the end of the Uruguay Round of GATT) and the reform of the CAP (Common Agricultural Policy), Europe has changed strategy. From now on, agricultural prices are no longer supported and farmers are forced to make drastic reductions in their productions (procedure "fallow" and encouragement to the abandonment of agricultural land)²⁶ in order to lower European prices level Global regain lost competitiveness. In fact, it was the Europeans who made the greatest effort in this direction, while benefiting American farmers who were consistently supported by their government.

The topics regarding ethical and commercial behavior of the great American giant is not uncommon. The widespread belief that EU agriculture is the most protected in the world, more than any other country, including USA, has been found not to be true. Paradoxically, this country is displayed at the World Trade Organization (WTO, that were established in 1995) as the most liberal bloc, commercially speaking. Commissioner for EU Agriculture, Franz Fischler, in a recent speech at the National Press Club of Washington DC, explained the situation and explained the agricultural model of American and European agriculture. Fischler said that many times we hear that half the EU budget goes to agriculture, which creates significant ambiguity. In this regard, he noted that the EU budget is very small, since it is not the sum of the national budgets of all Member States and hardly reaches 4.5% of the general budget of the United States.

In order to compare, comparable figures should be considered. That while the U.S. spends U.S. \$ 76,000 million (a 2.9% of public expenditure) in agriculture, EU spends only U.S. \$ 55,000 million (a 1.5% add-public spending EU and all its Member States). In addition, Fischler stresses that the E.U not only spends less

²⁵ *Vide* Ch. BUHOUR, *Le commerce...*

²⁶ "Fallow": that name corresponds to the mandatory freezing of arable land, imposed by the EU, over 15% of the area in 1992, reduced to 10% in September 1995.

money than the USA but, it is directed to a greater number of eligible producers. Indeed, compared with nearly 7 million European farmers, there are only 2 million Americans, *showing that the support received by farmers is much higher in USA than in the EU.*

There are also arguments for protectionism (through tariffs or any other form of trade policy) that, in his ineffable detractors, not withstand rigorous economic analysis. However, there are countless examples in real life of protectionist practices. The persistent pressure for protectionist measures is largely due to the fact that producers have more to gain (on a *per capita*) than consumers. This explains why producers find it profitable to organize to defend their interests. Furthermore, it should be noted that domestic producers prefer to establish tariffs or other protectionist measures before they are granted direct subsidies to production, because the social costs of these protectionist measures are less "visible" than the costs generated by direct subsidies, creating less unfairness.



IV. THE PARADOX COMPETITIVE OF THE RICARDIAN MODEL

1. The classical economic thought

Great importance is the classical economists thought about the phenomena of commercial, particularized by the French J. B. Say (1767-1832) in his famous "law of markets": *supply creates its own demand*. Effective demand maintains for its adequacy, full employment and full production capacity, regardless of the bid.

In general, in their thinking, the classics did not take sufficient account of the fact that men and women are grouped in nations. They ignored the great strength of collusion of national sentiment, and this is an error still worth taking into consideration today when we address the phenomenon of economic globalization. Some, like D. Ricardo, poorly analyzed the mobility of people, capital and goods within a country and across countries. Of course, Ricardo was soon very different from A. Smith: From the methodological point of view, was much less cultivated than the so-called "father of orthodox economics" (Joseph Schumpeter regarded Ricardo as a kind of empiricism, which lacks an overall philosophy and sociology all) and, of course, much more dogmatic, systematic and abstract. Mediocre writers, developed their demonstrations without resorting to images, examples, observation of the facts, presenting them always in the form of deductive reasoning. And so, his style is characterized by abuse of the words "suppose that ...". Like Smith, and even better yet it said, against the commercialism that international exchange is ultimately a trade in disguise, and that precious metals themselves are divided between countries that need them, always turning, automatically, the nations that have a buying power in commodities higher, it is not possible, in any way invalidate that law.

Moreover, the practical conclusions drawn by Ricardo of the theory of "comparative costs" are not very different from those of the theory of "absolute costs". Here it was concluded that any country takes advantage of free trade, even if unilaterally, and as the benefits of international trade must be seen only from the consumer point of view, the country is earning more than the poorest (O paradox!). Please note that all this theory has been subjected, from John Stuart Mill (1806-1873), to a rigorous review²⁷.

If we examine the above model of Ricardo²⁸, based on the interesting concept of

²⁷ English positivist philosopher and one of the fathers of classical economic thought. Empiricist all, was influenced by Hume (1711-1776) and Bentham (1748-1832). In politics he was an individualist, but acknowledged the legitimacy of state intervention, promote aid for the needy, either to stimulate the formation of cooperative enterprises. He was baptized by Daniel Villey (1911-19868), with some cruel irony, as "the old lady who knows everything." He is often presented as the last of the great classics. But the big dilemma that troubled his spirit always fair was, precisely, whether it was possible to reconcile the natural laws formulated by those in whose truth he firmly believed, with the generous aspirations of the new "heretics".

²⁸ Everyone interested in the work of D. RICARDO *On the Principles of Political Economy and Taxation* (1821) may consult the selection published by Orbis, Barcelona, 1985, entitled *Principios de economía política y tributación (selección)*, *vid.*, pp. 79-87.

"relative or comparative advantage", by which he concludes that countries specialize in the production of goods and services that can make or provide a cost relatively lower than others, and which remains the ultimate basis of all theoretical models of international trade, it reaches conclusions which could be described as definitely amazing. It was exposed by using the well-known example of the cloth and wine trade between England and Portugal. If, in England, the production of cloth requires the work of 100 men for a year, and wine work of 120 men during the same period and if, in Portugal, the production of cloth requires the work of 90 men during a year, and wine work 80 during the same time, Ricardo's thorough conclusion is that England is dedicated to producing only compensates cloths, and get wine imports, while Portugal is interested in spending time on the production of wine, getting the pads on importation. This is because in a system of complete freedom of trade, as advocated by Ricardo, each country devotes its capital and industry to the activity that you find most useful, the views of individual interests are aligned perfectly with the universal good of whole society, which is nothing more than the sum of all of them. In short, joining the orthodox doctrine, it appears the economic effect of the "natural order" and the "invisible hand of the Creator" ("the economic Bible" by A. Smith) that lead inexorably to the balance, tending always towards the where the benefit is at a maximum.

In fact, this concept also links to the most important point probably physiocratic theory, that is, his belief in "the essential natural order." For the Physiocrats, the natural order is the subject of the institutions that could promote social prosperity and thus, given their starting point, the development of agricultural production. Since the natural order, in his view, was all that favored agriculture, had to carry all that it could ensure adequate remuneration and "good price" (ie, the highest possible) agricultural products and livestock. Under this principle, the Physiocrats demanded the freedom of foreign trade (notably, freedom of movement of cereals), the abolition of internal customs, police and other markets aftermath of Colbert, who were intended to limit the Rising grain prices.

However, according to the Ricardian model, international trade is based not just on *competition*, but *cooperation*, which is something completely different. Indeed, countries give up competing in the production of the same products and organize a kind of "international division of labor". According to the idea of Ricardo, we have seen that each country must "specialize" in what they have comparative advantage. This generates a curious process of cooperation that is closer to that place inside of the same company that competition between rival companies that manufacture the same product for the open market.

From the standpoint of the consumer, imports from poor countries are beneficial and allow them to buy these products cheaper, since they incorporate labor costs much lower than those of their own country. This is also a good argument for governments to control the dreaded inflation. On the contrary, prevent the entry of these products harms consumers, who would have to pay higher prices, but instead would encourage farmers (who are certainly much less) and other sectors, since it

would prevent lost jobs in the country and to leave foreign exchange to pay for those imports, reaching a lower level of external economic dependency and improving balance of payments.

2. The limitations of international trade

The statement that "some degree of trade is better than the total absence of it"²⁹ is self-evident, but the hypothesis or axiom that free trade is better than any other type of trade "(v. gr., which is affected by average tariffs of 10% *ad valorem*) is not incontrovertible nor unavoidable.

Almost everyone agrees that it seems best to promote that restrict trade, but it should realize that the establishment of international trade raises questions of distributive justice, that refuse to be hidden beneath the apparent neutrality of an "art" or market. The gain produced by trade between countries must be adequately distributed among all concerned, for consumers and workers in developed countries, workers from less developed countries or any other affected group. It is, in short, a problem is certainly complicated and difficult to resolve, where not only "technical" differences affect opportunities for the return on capital, but also complex historical situations, political, cultural and employment.

Schumpeter understood capitalism better than any other economist of the twentieth century. He saw that capitalism does not work precisely to preserve social cohesion. That, according to their own rules, capitalism could itself destroy liberal civilization. So, accept that capitalism must be tamed. Government intervention was needed to reconcile the dynamism of capitalism with social stability. The same is true for the global markets of today.

Those who now believed in the *laissez faire* echo Schumpeter world without understanding. They believe that in promoting prosperity, free markets succeed in advancing the liberal values. But they realize that a global free market breeds new varieties of nationalism and fundamentalism, even produce new elites. By eroding the foundations of bourgeois society and to impose a brutal volatility in developing countries, global capitalism is endangering the very liberal civilization. It is also endangering the peaceful coexistence of different civilizations.

The logic of the global economy, as we warned at the beginning, is deeply contradictory. She sits on the bases of speed, risk, creativity, but also on impunity in the international order, since there are no mechanisms of regulation and control of the collective interests of mankind. But above all, this logic is grounded on the principle of the insecurity of the people, particularly those of poor countries and sectors. Transfer the production of high-wage countries to those with low wages, there is speculation in the financial market without considering the dangerous consequences, except for the capital it itself derived, turn upside cultural and

²⁹ Vide R. G. LIPSEY, *Introducción a la Economía Positiva*. Ed. Vicens-Vives. Barcelona, 1970.

consumption patterns and damage occurs irreversible ecological base of the planet without concern for future generations. Globalization has helped to generate constant and increasingly, social exclusion and polarization, such behavior undermining the foundations of a harmonious and peaceful coexistence among peoples. No wonder, then, that address the processes of globalization have unleashed forces that claim increased the local area and the more restricted identity and nationalism encountered dangerous xenophobic and intolerant religious groups that threaten world peace³⁰.

The Asian crisis a few years ago is just a sign that global free markets are unmanageable. Today we face a giant bubble of historic proportions, that could erupt in the United States itself, as affected by the terrorist attacks the eleventh of September 2001; entrenched deflation in Japan and China emerging, the depression in Indonesia and several smaller Asian countries, the financial and economic crisis and a possible regime change in Russia's deep economic and social crisis in Argentina, none of these processes promises stability. On the contrary, show the unstable nature of the entire world economy.

If anyone doubts that the world economy is entering uncharted territory, just consider the decisions of the powerful Chairman of the U.S. Federal Reserve (Fed or central bank), Alan Greenspan, to cut interest rates, which constitute their daily main monetary policy instrument used by banks for its refinancing operations in the short run-up to eleven times during 2001, so that the rates have increased from 6.50% to 1.75% as part of its aggressive monetary easing policy, aiming to revive the sluggish U.S. economy. In parallel, there were further steps to avoid the impact of the coming recession was: the same Greenspan gave the green light to Congress to adopt a recovery plan valued between 60,000 and 75,000 million dollars (65,700-82,200 million euros in the year 2001). This package is in addition to adjustments of \$ 55,000 million (60,300 million euros) and unlocked by the U.S. government as emergency aid measures and rising to 40,000 million (43,800 million) as assistance to airlines (15,000 million dollars, equivalent to 16,400 million euros). Thus, the slowdown continues its inexorable course in all the world economies, particularly intense in Japan and Latin American economies. The high degree of uncertainty experienced after the terrorist attacks of September 11, 2001 was reflected in a flight to quality, sharp falls in stock markets in both developed economies and in emerging and an increase in premiums on riskier assets, especially emerging markets. In fact, the weakness of the U.S. economy was already evident before the fateful September 11 terrorist attacks and those ended up truncating the limited prospects of recovery were visible in the coming quarters. To support this hypothesis, we see that exports and imports were, in July 2001, the biggest drop of the last decade, which should add the deterioration in consumer confidence, which in September the same year saw the largest decrease in 15 years. Given the new international scenario, it is not difficult to foresee that the block of

³⁰ Vide M. RIVERA, *Los movimientos de mujeres frente a los desafíos de los procesos de globalización económica*. Conference offered in Mendoza (Argentina) the 28 of June of 1996, under the auspices of the IFIM, International Woman News and the University of the Congress.

the twelve-euro zone countries will continue the negative trend in the United States, with the consequent deterioration of their situation and cut its growth estimate.

Indeed, despite a very active campaign to increase the money supply since the last recession a decade ago, the U.S. economy shows few signs of responding to the therapy applied. For example, demand has fallen computers of U.S. companies to Asian companies. Toshiba, the Japanese electronics powerhouse (Japan, the second largest economy in the world, is part of the problem), proceeds to dismiss 20,000 employees of its factories around the world, almost like Hitachi. There are, indeed, the first sector firms to resort to this drastic measure to refocus its business and seeking the right path profits increasingly elusive and migrated. Other Japanese companies like Fujitsu and NEC, have gone through that hard way and, outside Japan, many others, some as powerful as Cisco, Equant and America Online have followed the same tortuous path.

At that time, also the Monetary Policy Committee Bank of England remembered lower interest rates to counter the progressive weakening of the global economy. In any case, according to the calculations of Britain's top monetary authority, the impact of the aforementioned attacks on the United Kingdom economy was estimated milder than on the U.S.

It does not seem, in short, that simple invoked on business crises. The so-called "new economy" based on modern information technologies and communication, teaches his Achilles heel and reminds us that the rules of optimal business performance remain subject to traditional concepts, hastily and irresponsibly, were given by outdated or obsolete. In the same year 2001, Asian markets recorded heavy losses and the Japanese Nikkei index approached its record low in seventeen years. The U.S. economic crisis, still in its infancy, is being felt worldwide and offers no symptoms of old Europe have the power to play the role of locomotive of the global economy: Germany, the largest economy of our continent, also carries serious problems. Note that most of the twentieth century recessions were triggered by rising interest rates by central banks in order to combat the dreaded inflation. However, the current economic situation is more like a nineteenth-century recession, caused by the bursting of a bubble of investment, must make a with the things you serious effort to maintain optimism.

The free market is not, as is now the dominant economic philosophy-the "natural state" to take things when politics does not interfere with its claws sinners in the exchange market. Conversely, in any large and long historical perspective, the free market is a rare short-lived diversion. Regulated markets are the norm, not the exception, and spontaneously in the life of every society. The free market is a building or entelechy of state power. The idea that free markets and minimal government intervention go together, which was part of the stock phrase that the New Right ran with, while probably the reverse is true: *since the natural tendency of society is to restrict markets, free markets can only be created by the power of*

a centralized state. The free markets are creatures of strong governments and cannot exist without them. This is the first argument *False dawn*³¹.

An important part of the current debate confuses globalization, a historical process which for centuries has been ongoing, with the ephemeral political project of a free market worldwide. Properly understood, globalization refers to the increasing interconnectedness of economic and cultural cooperation between different and distant parts of the world. This is a trait whose beginnings may be dated, conducting a retrospective analysis, to the sixteenth century, with the projection of European power to other parts of the world by the imperialist policies of Spain, of course, it was not alien but a great protagonist.

Today, the main driver of this process is the rapid dissemination of new information technologies, capable of abolishing distances and work in real time. Conventional thinkers imagine that globalization tends to create a "universal civilization" (we refer to it later in this book) by spreading the values and practices of the West. In particular, the Anglo-Saxon and Anglo-American West.

In fact, the development of the global economy has been, above all, in another direction. The globalization of today differs from the open international economy, established under the auspices of the European empires in the four or five decades before the First World War. In the global marketplace, no Western power has a supremacy equivalent to British or other European powers of that time. No wonder that, eventually, the trivialization of new technologies in the world erode the power and western values. The spread of nuclear technologies in anti-Western regimes is only a symptom of a much larger trend.

The global market does not project the Anglo-American free market to the world, but rather put into circulation to all types of capitalism, not to mention the varieties of free markets. The global market destroys the old forms of capitalism and promotes new varieties. But, yes, always holding the whole in a relentless and often distressing instability.

One is reminded, finally, that at the end of his great work, *General Theory*, John Maynard Keynes declaimed, in a famous passage about the hidden power of outdated economic ideas in the following terms:

"Practical men, who
believe themselves free from
any intellectual influence,
are generally slaves to
some late economist. "

Well, it is possible that these gurus Current ultraliberalism unwittingly inspired eschatologically are subject from the other world, the old and dusty ghost of David

³¹ Vide J. GRAY, *Falso amanecer*, 1998, with translation of María Teresa Priego.

Ricardo, which usually prowls the corridors at midnight of some international forums, and even wanders through the walls and basements of some universities with the required dragging chains and white flowing sheets.



V. THE GREAT DISAPPOINTMENT FREE TRADE

1. The fallacy of "international solidarity"

Unfortunately, time and a long experienced practice of international trade have been commissioned to demonstrate that the free movement of goods, taken to its ultimate consequences, has not served, in any case, to provide benefits for least developed countries, but rather the contrary: *has been accentuated, as is well known, the gap between rich and poor countries, deriving to a disturbing situation that has been made even more striking by differences in income and wealth between peoples of the world.* The big argument consists of promoting trade-through of solidarity towards the poorest countries, collapsed spectacularly to verify the results. *Thus, according to the latest international statistical findings, are more rich people rich and poor countries* (a few large multinationals that established them, with very low production costs, export to first world countries, benefiting them only) and poorest poor in rich countries (mainly farmers and small manufacturers, their products are subjected to unfair competition from other countries with environmental regulations, exploitation of women, child labor and tax and social charges very low or even absent).

And so, we see that³² in relation to the alleged reduction of poverty in the world, the current situation points to a clear decline: while per capita income is close to \$ 25,000 annually, in 49 of the least developed countries (more than 34 of them are in Africa) are barely reach \$ 900 and receive only 5% of global direct investment.

The opening of markets through mechanisms of deregulation and elimination of tariffs, it has also brought contradictory consequences. On the one hand, it is true that the doors open for poor countries' products to be sold in rich countries, but even when the doors are open, competition is so fierce and unequal that conditions for competition so great that in practice in the last decade, many poor countries have lost much ground in international trade. The bulk of poor countries, following "wise" advice of international organizations and more or less subtle diplomatic pressure, opened their markets by eliminating import barriers and lowering tariffs to encourage free trade, which is the cornerstone of the new global economic model. However, a cursory look at some recent data shows that for developing countries, this process meant a loss of economic opportunities in the order of 500 billion dollars a year, or ten times more than it received in foreign aid.

The immediate meaning is that, as a result of so many open markets, the richest countries became even richer. Today 20% of the world's richest people receive at least 150 times the income of the poorest 20% of the world. Gini indices and Lorenz, Pareto or Williamson, worldwide, offer insulting and growing inequality in the distribution of income and wealth. It is clear that trade liberalization has benefited only those who were able to compete and export. In Latin America, for example, opening a trade balance for the whole country and ruin for some of them,

³² Vide Ch. BUHOUR, *Le commerce...*

like Argentina. For the first time after a decade, the trade balance in recent years showed negative balances, with a deficit of over 10,000 million dollars for all countries in the region. This gap would have been even greater with the exception of Brazil that had a surplus of 15,700 million dollars³³.

2. The promotion of global fraud

The globalization of the economy can lead, paradoxically, to a degree of protectionism or promotion of tax fraud and social fields, or even a lowering of the different protective environmental regulations, which is absolutely intolerable and persecuted at home. Let's make an example illustrating the previous assertion. A shoemaker who does not pay state or local taxes or social contributions of his employees, who rewards under the provisions of the current Collective Union Agreement, you can always sell the shoes at a much lower price than the shoe store next door (in the same city or street) complying fully with their tax obligations and labor, and for no good reason of being better retailer to better control or other competitive aspects of the business. That is also why it only makes sense to talk about "product specialization" and "free trade" when groups of producers subject to the same rules (embedded within the larger international economic areas more or less homogeneous, as the case of the European Union) but never between disparate groups in terms of economic and regulatory situation. In short: *you can only compete without restrictions based on reasonable conditions of equality*, as in sports, in politics or in access to public service. One cannot play poker with marked cards, or go to free competitions knowing which are the topics of the investigation or undertake a campaign monopolizing all the time slots, or start a football game with a score of 2-0 in favor of any of the contestants, or either start a career in athletic 50 meters ahead (as in his day, as the old fable, give him the turtle Achilles³⁴).

Facing a second-rate workers docile and a Third World country, who works sixty hours a week, accepting without question overtime and poor security conditions, which is not unionized, which ignores the right to strike and holidays, which is not listed dues and is paid some ten to twenty times less than a Western worker, it stands that, despite being highly productive? never get to compensate for such differences in wage costs. For all products (goods and services) that incorporate work that is essentially measured by competition with imports, the decisive factor in competition is the final price and this is closely linked to production costs, which will be much higher in the West. Thus, the consequences will be very clear: rising unemployment and increasing income disparities among employees exposed to competition (mainly unskilled workers) and those unexposed, competitive and

³³ Vide M. RIVERA, *Los movimientos...*

³⁴ In Greek mythology, **Achilles** (Ancient Greek: ἀχιλλεύς) was a Greek hero of the Trojan War, the central character and the greatest warrior of Homer's *Iliad*. Achilles also has the attributes of being the most handsome of the heroes assembled against Troy. Later legends (beginning with a poem by Statius in the first century AD) state that Achilles was invulnerable in all of his body except for his heel. Since he died due to an arrow shot into his heel, the "Achilles' heel" has come to mean a person's principal weakness.

produce goods mainly for export³⁵. Think, finally, that the unbridled promotion of research and development, as well as the skills of workers in advanced countries to highlight differences in technological innovation unattainable with the less-is-thaumaturgic and permanent solution to the problem previously pointed out, it is seen as more of a pure exercise of economic romanticism (if two words, noun and adjective, are somehow compatible) that a realistic and effective way to cope.

It seems logical to infer, then, that domestic producers need protection because other competing countries are using cheap labor in the production process of goods or services concerned. Certainly, we must take into account that the foreign workforce is also less productive, less so, often, to compensate for their lower cost. And what is worse: their working conditions are very often subjected to inhumane and shocking an authentic and social dumping. Indeed, it is not necessary for us to go to examples remote from the geographical point of view: it is enough to analyze the working conditions of some groups from the Maghreb, assigned to activities based on intensive agriculture under plastic forced crops in certain regions southern Spanish.

The most important consequence, and certainly the least evident of our trade with developing countries is not so much the impact on unemployment as the bankruptcy of our society into two increasingly distant ones in terms of income: the impoverishment of employees affected by competition and maintaining the standard of living of those employed in competitive industries and exporters, or those with sheltered employment (case, i.e. the civil servants). P.N. Giraud³⁶ was clearly expressed in the following terms: "Today, the growing free trade with countries with low wages and weak technological capacity does not necessarily lead to mass unemployment in rich countries, but the reopening of the scales of primary incomes and accompanied by growing inequalities polarization of society into two groups: the competitive and protected. The latter are dependent for their income on the number and competitiveness of the former. This is a patronage in the Roman sense of the term, which tends to be set up between the two groups, despite the mediation of market and state. It is the very existence of the middle classes in wealthy countries, which is threatened. Classes, however, that twentieth-century capitalism had not only begotten, but relied on its own development."

In any event, it appears that, faced with rising unemployment and the emergence of cyclical economic crises in advanced countries, the temptation to make a withdrawal by large regional blocs is large, imposing the argument that you can only trade with countries that respect the same or similar rules. This is the opinion which led to France and the United States to apply in the Marrakech conference, which occurred in April 1994, the inclusion in the WTO's founding agreements of a certain "social clause"³⁷ to fight social dumping, although for the moment, the

³⁵ Vide Ch. BUHOUR, *Le commerce...*

³⁶ Vide P.N. GIRAUD, *Problèmes Économiques*, n°: 2.421, April 1995 (over from an article in *Gérer et Comprendre*, Annales des mines, December 1994).

³⁷ Vide D. BRAND y R. HOFFMANN, "Le débat sur l'introduction d'une clause sociale dans le système commercial international-Quels enjeux?", in *Problèmes Économiques*, no.: 2.400, November 1994.

Third World countries form a united front to reject that proposition, arguing that economic development and trade is what will allow, a priori, to improve the situation of workers and induce the disappearance of work child. Admittedly, at least so far, only the USA subordinate their trade policy to respect -for others- for the fundamental rights of workers.

3. The failure of global free market

By contrast, the out free trade is based on dogmatic assertions and Jovian like the following (due, of course, the Nobel prize PA Samuelson, one of the pioneers of ultra-liberalism today): "The promotion of freer trade is based on the increased productivity made possible through international specialization, in accordance with the law of comparative costs, which allows greater world production and a higher level of life in all countries. Trade between countries with different levels of life is particularly helpful for all.³⁸" Regardless of the harsh reality that has been responsible for denying claim so great, do you imagine the absurdity of the situation which would apply those principles within the same country, leaving to the discretion of producers and traders the ability to adjust costs (fiscal, social, environmental and labor) to low power in order to better compete well with each other?

Possibly, the fall of the Berlin Wall in 1989, produced just two hundred years after the triumph of the French Revolution, apparently shows the final image of triumph, almost without restriction, liberal capitalism on a global scale, together with the onset of a new century and new millennium. This feeling, according to Professor Victor Pérez-Díaz³⁹, has been be enhanced by cyclical economic euphoria of recent years in the advanced capitalist economies, while awakening from the nightmare of economies under the yoke of experienced central planning in so-called 'emerging countries' belonging to the former socialist bloc popular. Even seems significant in this climate of euphoria that the greatest economic turmoil of recent times may be kindly considered minor matters or as mere blips or "incidents." According to *The Economist*: "... the Emerging Markets crash of the late 1990s, eleven o'clock which appeared to endanger the global economy, will be regarded as a mere blip in the ongoing "Asian miracle" (April 5, 2000, p. 13). And in *The Wall Street Journal Europe*, Thomas Weber tells us how they are discussed and analyzed in American college campuses the past difficulties in Asian markets and high technology companies: "but ultimately Their decline is Dismissed as a blip in the Net's UPWARD trajectory "(April 10, 2000, p. 29).

Among transnational organizations ephemeral signs that the free market fundamentalism begins to question. Some people criticize the dogma that the

³⁸ Vide P. A. SAMUELSON, *Economics. An introductory analysis*. Ed.: Mc Graw-Hill Book Company. London-New York.

³⁹ Vide V. PÉREZ-DÍAZ, "Globalización y tradición liberal", in *Claves de Razón Práctica*, no.: 108, pp. 4-12.

capital should have unrestricted mobility, and similar positions to those of the "Washington consensus." However, the Anglo-Saxon free market remains the model or pattern for economic reforms everywhere. The idea that the world economy should be organized as a single world market has not yet been challenged.

I sincerely hope that the global free market is a project that was destined to fail. In this as in many other things, too much like that other experiment in utopian social engineering, socialism Marxist. Both movements were convinced that the goal of human progress must be a single civilization. Everyone denied that a modern economy could come in many varieties very different and manifold. Each one was willing to pay a high cost in human suffering to impose their unique and providential vision of the world. Each has stiffened to the vital human needs. Each denied the other the bread and salt. Therefore, both are doomed to failure.

According to the ideology of free market fundamentalism that has swept the world since Ronald Reagan in the U.S. and Margaret Thatcher in the United Kingdom was promoted in the early eighties, competitive markets are not wrong, or at least produce results that cannot be improved through the intervention of institutions and policies outside the market. It is assumed that financial markets provide prosperity and stability and they do more, if they are free of government interference in their operations and have no control or restriction on their global reach. It reminds us of that old maxim that "Brazil works at night, when politicians are sleeping."

However, the current crisis has shown that this ideology of market fundamentalism is wrong. The free-market ideology ensures that fluctuations in stocks and flows of credit are temporary aberrations that may not have lasting impact on economic fundamentals. If left alone, it is assumed that financial markets in the long term can act as a pendulum always swings in both directions to find the balance, although it could be shown that even the notion of balance is false. Financial markets are inherently and essentially unstable and always will be: given to excesses, and when a sequence of boom and depression go beyond a certain limit, transforms the economic fundamentals that, in turn, cannot return to the place where they were at the beginning. Instead of acting like a pendulum, financial markets can act as a giant sphere that varies from one country to another, devastating and destroys everything that crosses their path.

The problem is, surely, that the international mechanisms for crisis management are too inadequate. Most of the leaders in Europe and the United States are concerned about how their countries could protect themselves from global financial contagion. But the problem on a global scale is much larger and historically more important. While Western economies and their banking systems to survive this crisis without suffering too much damage, those on the periphery have been badly affected⁴⁰.

⁴⁰ Vide G. SOROS, *La crisis del capitalismo global*. Translate of María Luisa Pérez Castillo.

4. The problems posed by international trade

Basically, these problems are that this trade does not benefit equally to all countries. In fact:

- 1) The world is not constituted of countries at the same level of technology or productivity, but rather there is a developed world (center) and other developing countries (periphery).
- 2) The coefficient of income elasticity of demand function for manufactured goods is greater than that of primary products, which tend to be classified as inferior goods or basic necessities.
- 3) To get the same manufactured goods to be exchanged increasing amounts of primary products. In the early twentieth century in our country, Spain, were worth the same 1 kg of wheat flour 1 kg to 1 kg of bread. Exactly a century later, the price differences, as can be seen, are abysmal, with particular damage to the groups at either end of the chain: the grain farmer and the final consumer.

The conclusions derived from this group of ideas are:

- 1) International trade is more beneficial to developed countries than to undeveloped, which tends to increase inequalities of departure as it has been verified in recent times.
- 2) The rent increases on a global scale, leading to an increasing demand for manufactured goods and primary products decreasing, and their low prices will hurt commodity producers (farmers) that, apart from bringing an important role in environmental conservation and maintenance, are often not precisely the higher classes of the Society.

This pressure from developed countries led to the creation of UNCTAD (United Nations Conference on Trade and Development), whose objective was the international exchange based not on equality but on the preference. That institution had an active life between the sixties-seventies of last century in search of new formulas that would enable development processes to support the third world. His most notable achievement has been the Generalized System of Preferences (GSP), under which developed countries grant tariff preferences, lists of products to developing countries⁴¹.

⁴¹ The **Generalized System of Preferences**, or **GSP**, is a preferential tariff system which provides tariff reduction on various products. The concept of GSP is very different from the concept of "most favored nation" (MFN). MFN status provides equal treatment in the case of tariff being imposed by a nation but in case of GSP differential tariff could be imposed by a nation on various countries depending upon factors such as whether it is a developed country or a developing country. Both the rules come under the purview of WTO. GSP provides tariff reduction for least developed countries but MFN is only for not discriminating among WTO members.

Finally, we see that the famous are changing comparative advantages and create difficult adjustment processes. The Ricardian concept of "comparative advantage or relative, to which we referred earlier, is a static model, its core emphasizes that most production in the manufacture of a range of goods will decide the country's trade pattern. But the comparative advantages change over time with shifts of resources or factors of production available in each country, especially the capital and technology, well, see the technique reaches computed given great importance and significant benefits to the most developed countries, such as Japan. As noted, the comparative advantages have undergone substantial changes, resulting in significant changes in trade flows.

5. The current protests against free trade

The situation awareness of the problems posed by free trade changed dramatically as a result of the events that took place in Seattle during the World Trade Organization (WTO) meeting⁴². Some 50,000 people worldwide belonging to NGOs, unions, environmental movements, etc., was visited in this city to protest and express their total rejection of global trade liberalization, the virulence of the protests and their numbers monopolized the attention of all mass media. Since then, these events have occurred in each and every one of the international meetings convened, whether international institutions like the IMF and the World Bank, the European Summit or more restricted forums like the G-8, to which we refer more specifically in the following section.

It was, therefore, the events in Seattle that has highlighted a major role of the WTO, which was hitherto largely unknown to the vast majority of citizens. Now, we deem appropriate to contribute to the knowledge of this organization, whose specific mission is to lead both the liberalization of international trade and to defend and enforce the agreed rules governing international trade.

But in addition to raising awareness of the WTO, it is also important to understand the reasons that have driven these manifestations to reject what this organization stands for and, therefore, we must try to answer the question: what are the reasons for this strong protest against free trade? In our view, the reasons are diverse and often conflicting, but all have one common denominator: the critique of the growing global economic integration and interdependence is commonly called "globalization." Liberalization in international economic relations-driven and led, too, from these international economic institutions, has resulted in the 'global economy', which is an environment characterized by great freedom of trade and

⁴² The World Trade Organization is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible. The WTO has many roles: it operates a global system of trade rules, it acts as a forum for negotiating trade agreements, it settles trade disputes between its members and it supports the needs of developing countries. All major decisions are made by the WTO's member governments: either by ministers (who usually meet at least every two years) or by their ambassadors or delegates (who meet regularly in Geneva).

financial flows and the development of large companies controlling important multinational shares of world production and international trade.

Well, which of these accusations is true? In our view, the answer is neither simple nor unequivocal. International trade is not the root cause of many problems, but it is true that the elimination of barriers that traditionally have limited trade flows, mainly tariffs, has facilitated the blossoming of many others that affect the flow of trade today, and determine its influence. The factors that determine the ability of firms' competitiveness in global markets are no longer dependent on the same things as before, the degree of protection that each country had established. On the contrary, this ability is the result of both economic and business factors as inherently also the costs that companies should take as a result of the regulations established by each country to achieve other purposes require that its own companies, such as protection of labor rights or environmental conservation. Indeed, the pressure to safeguard the freest ability of firms to compete in international markets is increasingly seen by many groups as the main reason which prevents the more ambitious of these other purposes.

On the other side, developing countries understand that the standards imposed for the preservation of the environment or labor rights are but an excuse to limit the access of their products to rich country markets and demand that they are not impose standards that cannot (or unwilling) to fulfil. They claim, however, to be provided to trade and enhance economic growth and development and reduce differences between the incomes of the rich and poor which has increased in recent years. They claim, too, that international trade should be a means to solve development problems in poorer countries, with increasing difficulty in achieving sustained economic growth.

The debate, therefore, is broad and also opposed the lenses of the different needs and priorities of countries according to their degree of economic development. But the protests against globalization of the economy tends not only to recall but, conversely, to increase. So, let's see how Attac, in late January 2002, broke the still strong in French pre-election scene anesthetized with a rally that doubled by far the most optimistic estimates. About 6,000 people in Paris supported the launch of the manifesto of the anti-globalization organization under the slogan "another world is possible", determined to influence the debate as a major stir up debate. About 31,000 faithful followers attest to the growing weight of Attac in France, where the movement led by Bernard Cassen and devised four years ago by the director of "Le Monde Diplomatique", Ignacio Ramonet, is courted right and left.

The same day the indefatigable Chevènement loyalists gathered to launch their 1200 "Republican Pole" dusting off old symbols like the nonagenarian resistance heroine Lucie Aubriac, Attac was reaffirmed: "We want to convince the public that politicians today are not the only possible and that we are hundreds of millions of people around the world who think the same way", reads his illiberal proclamation. Meanwhile, confusion between unclassifiable and enthusiastic

audience, the historical Trotskyist leader Alain Krivine was one of the few recognizable figures of the assembly which was, however, with the leading participation of prize Nobel of Literature the Portuguese José Saramago⁴³.

In early February 2002, the seminar that the World Economic Forum finally took place (WEF), celebrating its 31 years in the first instance in the Swiss resort of Davos, but on this occasion taking place in New York. The reason for the change seems obvious: to give moral support and confidence to the Big Apple after the tragedy of 11-S-01. In fact, the seminar took place in the halls of the Waldorf-Astoria hotel, located scarcely five kilometers from the place where the dust from The Twin Towers of the World Trade Centre settled. However, given what is and represents the WEF, a symbol of financial capitalism and global technology, the island of Manhattan seemed a more appropriate venue than the peaceful Davos, where the seminar would return the following year unless there were exceptional circumstances. For 2004 there was no seat provided, much would depend on the degree of response they had had from street meetings that year and the next. Indeed, police in the great American city left nothing to chance, with 4,000 agents and other security forces closely monitoring the event.

The WEF meeting, once again, the cream of the large corporations in the world, and a constellation of political leaders led by German Chancellor Gerhard Schröder, Canadian Prime Minister Jean Chrétien or even the U.S. Secretary of State Colin Powell. Previously, President Bush, in his State of the Union, had urged businesses to be more careful with the interests of its employees and shareholders. The title of the seminar in question, "Leadership in Fragile Times: a Vision for a Shared Future", does not shine too much about the radical change they had experienced from the global political and economic events of those recent months.

Interestingly, as a counterpoint to the Davos-New York, there was a temporal coincidence with the II World Social Forum held in Porto Alegre with the slogan "Another world is possible", which is that, as there is only one the world, with its endemic injustices and deep inequalities. It began with a march through the streets of Porto Alegre, full of activists and representatives of many political organizations and religious NGOs, which seek to articulate an alternative to neoliberalism. It culminated last year for publishing a document that rejected the Free Trade Area of the Americas (FTAA). Mayor Tarso Genro stated that "this is a forum for a world without wars and violence," while the French peasant leader Josep Bové, who last year had a transgenic soybean plant destroyed in the north of the mythical state of Rio Grande do Sul, in one of its striking protests, said "this year came as a teacher. Will act only if the companions of the MST (Movement of Landless Workers) decide to perform a particular action".

⁴³ Vide MILLET, M. in *La regulación del comercio internacional: del GATT a la OMC*. Collection of Economic Studies, no: 24. "La Caixa". Barcelona, 2001. Cited in the bibliography.

Under the circumstances, the 14 branches of the multinational Mac Donald's scattered around the city use extra safety measures. Floated in the air the awareness that the president's paradigm of neoliberalism in Latin America were Carlos Salinas de Gortari, Fernando Color de Mello, Alberto Fujimori and Carlos Menem. All of them without exception, and with some further collaboration, they left their countries much worse than that found with numerous corruption scandals. For the future, should be developed proposals to make globalization work for the people and not multinational conglomerates to further accumulation of power deemed illegitimate.

For its part, the mayors of four continents and twenty-nine countries attended the Forum of Local Authorities for Social Inclusion, in the same context, globalization demanded a "more just, humane and overcome the current financial domination." The so-called "statement of Porto Alegre" reflects the criticisms of the two hundred mayors from cities in America, Asia, Africa and Europe to the current globalization model. Among others, attended the first mayors of Buenos Aires, Sao Paulo, Montevideo, Rome, Paris, Geneva, Brussels, Caracas and Barcelona, who pledged to "intervene in the international arena in favor of globalization, which exceeds the financial domain and accept international democratic bodies." They also pledged to work towards a model that ensures sustainable development and extend "solidarity policy to those cities that is not yet practiced." In this regard, they expressed their desire to strengthen the role of cities as political actors active in the new world. Reflecting on these claims as plausible to those who know best for his trade-daily-direct problems of citizens, this writer asked to meditate on that famous phrase of Alexis de Tocqueville⁴⁴: "How can our politicians confront and solve serious problems faced by humanity if they are unable to solve the incumbent to his city, to your neighborhood or your street? ". And not in a pejorative sense, but by recognizing the importance to be attached to the opinion of the mayors in all public issues, for his knowledge of the basis of the same.

The local officials in its conclusions also criticized the growing privatization of public space, since it reduces the capacity for regulation and provision of public services. Regarding the crisis in Argentina, agreed to launch a joint initiative with the cities of that country, which would result in the shipment of medicines and hospital supplies. The severe economic crisis, social and political Argentina led to many criticisms of the IMF's work in that country and for the defense of the rights of native rulers to implement the policies they deem most appropriate. They also agreed to defend these cities rights to peaceful demonstrations against globalization, and to work towards the integration of immigrants with all rights and also join the United Nations agenda, defined by its Secretary General Kofi Annan to develop a culture of peace through public policy.

⁴⁴ Writer, French politician and statesman (1805-1859). He was vice president of the National Assembly in 1849 and Minister of Foreign Affairs.

VI. INTERNATIONAL FINANCIAL INSTITUTIONS

1. The now-distant experience of Bretton Woods

Since the great depression and financial collapse of 1929, USA argued for an economic world with the following features: open markets, convertible currencies, stability in exchange rates, ease of capital movements, international cooperation and the primacy of the initiative private. In 1944, before the end of the Second World War, the agreement that gave life to the International Monetary Fund (IMF) and World Bank was signed in Bretton Woods. The IMF, who was responsible for international cooperation, would rest a whole system of fixed exchange rates based on the following commitments:

- All currencies should be convertible and maintain, through gold, a peg to the dollar, with a margin of + / - 1%.
- There could be adjustments in exchange rates if fundamental imbalance in the balance of payments.
- To cover non-fundamental imbalances in the balance of payments, the IMF would make a resource available to countries, provided they meet certain conditions.

The fixed exchange rate system rested on a fundamental condition: stability of the dollar (a stable dollar means a balance with foreign countries in the USA) and a double asymmetry, it was assumed that the surplus countries would have no obligation to correct the imbalance thus expanding growth and, secondly, that America would not be forced to adjust in case of imbalance in that country and being a country which currency is a reserve currency, its imbalances are financed with its own currency. The system required, however, the stability of its key currency, the dollar. The obligation to sustain the changes implied for the various central banks, the peremptory to maintain an adequate level of reserves. The asymmetry in the external adjustment attacked the stability of the dollar.

The Bretton Woods system reflected the idea of a harmony of interests between all countries and the ability to maximize income by liberalizing global trade flows and prompt payments and currency convertibility, regardless of economic policies followed by different countries.

An important feature was the role assigned to the IMF. First, member countries contributed to the Fund for a fee, would pay 25% in gold and other currency, second, the loans were granted to countries with non-fundamental imbalances in the balance of payments provided they meet a number of conditions, third, in the event of fundamental imbalances, and countries could devalue the currency. In fact, the IMF reflected more the fears and ghosts from the past than present needs.

The system thus conceived; however, we had some weaknesses to list: 1) international confidence in the value of the currency (Triffin dilemma⁴⁵) or inability of the system to a joint solution to the problem of liquidity (reserves adequate growth) and trust (maintaining the dollar-gold relationship agreed). Triffin's dilemma would anticipate that the final result would be that when U.S. external liabilities had been made too large, the central banks of other countries begin to convert dollars into gold at fixed price of \$ 35 an ounce, that reducing U.S. gold reserves would undermine the foundations of the system and make it fly apart. 2) The problem of adjustment, which had a triple root, namely: a) the resistance of countries to implement the policies necessary to maintain foreign currency trading, b) the asymmetry between surplus and deficit countries c) the asymmetry between the country with currency-reserve and other countries. 3) The excess of \$ undermined trust in and fired a currency conversion into gold.

Following the implementation of the system, various “turbulences” were presented successively. The first shock took place in 1960 in the form of speculative buying of gold from DEM purchased with dollars. Those years also witnessed the successive crises of the pound sterling due to the overvaluation decided by the British Government of the time. In 1967 a storm blew speculation against the dollar, followed by massive purchases of gold. In 1968 and 1969, the main tensions are directed towards the swiss franc and the German currency (the free and the frame). Towards the end of 1970, there was a massive sale of dollars against European currencies, which led to the result of floating the German currency (the mark), which was followed by other currencies. The conditions heralding the breakdown of the system were thus produced.

Subsequently, there occurs a breakdown of the fixed exchange rate mechanism. In August 1971, President Nixon adopted three measures that herald the demise of the system, namely: 1) suspended the convertibility of the dollar gold or currency, 2) imposes an additional 10% tariff on imported goods, 3) 10% reduced their foreign aid. Breaking the link between dollar and gold, the system breaks down and produces the floating of other currencies linked by their value in gold. In 1973, the Group of Ten decided to generalize the floating of currencies, which is enshrined in 1976 in Jamaica when the first major oil crisis happened and the movements of capital which left a no return to the fixed exchange rate system.

⁴⁵The **Triffin dilemma** or **Triffin paradox** is the conflict of economic interests that arises between short-term domestic and long-term international objectives for countries whose currencies serve as global reserve currencies. This dilemma was identified in the 1960s by Belgian-American economist Robert Triffin, who pointed out that the country whose currency, being the global reserve currency, foreign nations wish to hold, must be willing to supply the world with an extra supply of its currency to fulfill world demand for these foreign exchange reserves, thus leading to a trade deficit. The use of a national currency, such as the U.S. dollar, as global reserve currency leads to tension between its national and global monetary policy. This is reflected in fundamental imbalances in the balance of payments, specifically the current account, as some goals require an outflow of dollars from the United States, while others require an overall inflow.

Since 1976, the system is replaced by a non-system. Member countries may: 1) keeping fixed the value of its currency, 2) establish a cooperative regime for a set of coins, and 3) choose any other exchange rate regime as possible. The countries of the EEC created, since 1979, a zone of monetary stability, the European Monetary System (EMS), which implies fixed relation to each other currencies and floating the dollar, this system was changed in 1993, to expand the fluctuation bands of the "snake". The performance of the IMF, in short, has been limited to the monitoring task: review the economies of different countries and their exchange rates and also regularly performs a series of recommendations that are more or less neglected by the national governments.

2. The past and present role of these institutions

Never before have different media been interested as much as now by the major international economic institutions such as the International Monetary Fund, World Bank and World Trade Organization. Only the press and economy sections of daily newspapers referred to them by reason of the publication of major reports or when the ministers of finance, central bank presidents or top officials of member countries were invited to their annual meetings. But hardly were (targeted by the holder) in the head lines on the front page of newspapers or news of tv (opening of the news), except in very rare cases.

In 1947, two years after the end of World War II, the allied countries, with America at their head, decided to lay the groundwork for a multilateral trading system to overcome the disastrous damage of the international trade relations in the interwar period and that was probably one of the factors that contributed to the war. The result was the signing of the General Agreement on Tariffs and Trade (GATT), aimed at progressive liberalization of world trade by eliminating the obstacles set by national states and replacing them with the cooperation between them. The GATT was part of a draft code of international relations which got underway at about the same time as the International Monetary Fund, dedicated to establishing order in the monetary system, and the International Bank for Reconstruction and Development (World Bank), its objective being to channel long-term savings.

The basic principles that inspired the GATT were:

a) *Non-discrimination*, i.e., that any advantage granted by a contracting country to another is automatically extended to all others, except in the following cases: 1) The existing preference systems at the time of the signing of the agreement, 2) free trade areas and customs unions (integration), and 3) Generalized System of Preferences, which is a series of tariff preferences granted more developed countries to less developed for a set of goods, especially in manufacturing.

b) *Reciprocity*, the beneficiary country in a series of tariff reductions should offer similar concessions, since, otherwise, countries would lead to government

counterparts to offer unless the benefits received, break the principle of equal opportunities.

c) *Transparency* of allowing prices are those that regulate the functioning of the markets. This does not exclude the possibility of using direct controls to address temporary imbalances that may arise in the balance of payments. The successive "Rounds", in short, are the mechanism in which are tariff reductions and commitments to market liberalization are carried out.

The GATT was a provisional agreement, since the initial intention was to create an international trade organization, but this is not possible in this form, but it persisted for many years, contributing directly to the opening and expansion of trade between countries that signed it. Until 1995, no consensus was reached that the GATT required to become a real institution, creating then the current World Trade Organization (WTO).

As we explained in the previous section of our book, and what impact again in subsequent chapters of it, the World Trade Organization (WTO) reached an unusual prominence in November-December 1999 in the U.S. city of Seattle, where it had its third Ministerial Conference convened to launch the new round of international trade negotiations, known as the "Millennium Round."

Looking at little related history here, we see that in the Bretton Woods Conference of July 1944 there were two institutions: The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, more commonly known as the World Bank). The IMF, with a mandate to ensure the stability of exchange rates of currencies, to promote and monitor the commitment of member countries to liberalize restrictions on payments for transactions accounted for in the current account (exports, imports and balance of services) and providing temporary financial resources to countries with problems in their balance of payments; and the World Bank, with the express mandate of providing financial resources, both for reconstruction and for economic development. Thus, these two institutions are in charge of international economic cooperation in two of the three main pillars of international economic relations: the money and finance.

However, the establishment of an institution that was specifically responsible for regulating international trade relations, as expressed in the Bretton Woods Conference itself was required. The preparatory work was undertaken by American and British delegations, inspired by the reciprocal agreements that the U.S. had signed with many countries in the period between 1934 and 1945. However, both delegations had some differences of approach. While the Americans were defending an essentially liberal, the English made full employment the priority of their policy. This discrepancy affects the limits that could be established in the trade liberalization commitments and its subordination to the achievement of full employment.

Countries resorted to the use of so-called non-tariff barriers and also to the use of subsidies to promote exports. These practices were, respectively, the name of neo-protectionism and neo-mercantilism⁴⁶. The most used were: technical regulations, methods of customs valuation, import licensing, incorrect application of antidumping and countervailing duties and the undue granting of subsidies.

The creation of large supranational monitoring devices of the economic and financial (and also political) sectors, for a time seemed to give the necessary security to support the impulse of globalization. However, today sees its limits. These devices were simple adaptations of established organizations, in those Bretton Woods agreements. They are, as mentioned above, the IMF and World Bank. But then he added a whole plethora of large institutions which were due to various difficulties in capitalist development that needed solving forums to present and discuss their many disputes. For example, in the most recent time have highlighted the WTO, the Group of 7 (then G-8, with the addition of Russia)⁴⁷ and the Davos forum, not to mention others of lower rank. All these institutions, and even some others, could be grouped roughly speaking, with their purpose and resources, as follows:

Table no.: 3. International Organizations: function and resources.

<u>Main International Organizations</u>	<u>Main Function</u>	<u>Resources Agency</u>
- International Monetary Fund	Finance imbalances of payments	Member countries Contributions
World Bank Group		
- International Bank for Reconstruction and Development (IBRD or World Bank)	Finance projects and programs	Resources and issuance of bonds in international markets
- International Development Association	Financing projects and programs in the poorest countries	Contributions from member countries
- International Finance Corporation	Promote private sector growth in developing countries'	Own resources and issuance of bonds in international markets
- Multilateral Investment Guarantee	Hedging foreign investment in developing countries	Own resources and premiums for insurance policies
Group Regional Development Banks		
- Inter-American Development Bank (IDB)	Finance projects and programs in your area	Own resources and borrowing in international markets
- Asian Development Bank	Finance projects and programs in your area	Own resources and borrowing in international markets
- African Development Bank	Finance projects and programs in your area	Own resources and borrowing in international markets
- European Bank for Development (BED)	Recomposition of the economy of the East and the Soviet Union's	Own resources

⁴⁶ The term "neomercantilism" is used in memory of the economists of the mercantilist school of the seventeenth and eighteenth centuries who advocated government intervention in international trade to promote exports and limit imports, as described in other sections of our book.

⁴⁷The **Group of Eight (G8)** was a group made up of Canada, France, Germany, Italy, Japan, Russia (*suspended*), the United Kingdom and the United States of America. The European Commission is also represented in the committee. The group has conferences or meetings throughout the year; it researches policies, and has a summit meeting once a year. The heads of government of each G8 country attend the summit meeting. Each year a different country takes over the presidency of the group for the duration of the year. The country that holds the presidency sets the agenda for the year and hosts the summit for that year. The first G6 meeting was in 1975. Canada joined in 1976, making G7. Russia made it G8 in 1997.

The monitoring factor has, however, three different levels: a financial and political and military. The latter, almost always, carried out by the American giant. On the financial front, lately, the IMF and the World Bank in their grand endeavors saw themselves as containers of the crisis until their inefficiency in the execution of such work was proved. Right now, the game in that field is in the privileged hands as Federal Reserve Chairman USA, of Mr. Greenspan. For those institutions, which in a historic moment laid the foundation for the entry into force of economic globalization with the release of the markets, which reached around with their recipe for the removal of agricultural subsidies, and to the food, the medicines, etc., who fathered privatization, free trade and the payment of debts, which led to financial speculation, today its practical function is reduced to the simple operating as anti-crisis mechanisms, with a restricted formulary of austerities, tax reforms and wage cuts. The limitation of its operation is obvious. After a period in which these institutions dealt only with governments likely now have to deal with an amount of mass opposition. Meanwhile, the crisis moved into the larger economies and the IMF as well as the World Bank will gradually fade.

Admittedly, the connection that the economic boom that has occurred in the U.S.A. in recent times has much to do with the policies outlined by the government of President Clinton and, particularly, for Mr. Greenspan. In this sense, the Federal Reserve was not limited to maintaining price stability as the European Central Bank Wim Duisenberg of the Netherlands at the head, which seems to only worry will fight inflation (by the way in February 2002 and has announced its voluntary redundancy ahead of the important position held). Greenspan also feels responsible for the growth of the economy and the maintenance and creation of new jobs. In 1994 a law was sacred to the issuing bank, that inflation was seriously threatening the economy if the unemployment rate fell below 6%, but when it reached this value considered "borderline" and inflation continued to behave reasonably well, Greenspan resisted the pressure and did not intervene by reducing the amount of money, demonstrating his low adherence to the monetarist theories. It was down to 4% unemployment rate; however, inflation has not risen, largely because Alan Greenspan had the courage to confront the doctrines and traditional therapies.

The above international financial institutions like to strut their contribution to global prosperity, which is a necessary condition for the stability of the financial system. However, the frequency, depth and longevity of the successive financial crises, economic and currency in recent decades occurred in Southeast Asia, Russia or Latin America, have highlighted the shortcomings of globalization, which result in the weakness of those institutions to ensure compliance with two separate objectives: a) ensuring international financial stability, contributing to solving the most pressing problems of the most financially collapsed countries and b) progress in the eradication of poverty in the neediest countries of the world.

Recently, the policies of IMF and U.S. government contributed to the Asian financial crisis spread to everyone, by forcing the deregulation of financial capital (in countries that were not exactly lacking capital, as were those of Southeast Asia)

in order to provide opportunities to the financial capital of USA. Such deregulation as correctly stated by the former World Bank chief economist Joseph Stiglitz⁴⁸ in a brilliant article published in the American magazine *The New Republic*, was one of the root causes of this crisis. And if that were not enough, when the crisis hit, its makers pressured countries to carry out a long series of austerity policies (with substantial cuts in public and social spending), deregulation of labor markets and privatization services and public enterprises, still the situation deteriorated adversely affecting the standard of living and redistributing the income and wealth of the low-income people⁴⁹.

And yet, even today, tiresome and unabashedly, a global economy modelled on Anglo-American free markets remains the declared aim of the International Monetary Fund and other similar transnational organizations. But global markets are machines of creative destruction. As the markets of the past, do not move in smooth or gradual harmonious waves. They progress through erratic cycles of booms and busts, monetary storms, speculative manias and financial crises. *As happens with capitalism in the past, global capitalism today its prodigious productivity achieved by destroying old industries, traditional crafts and ways of life in harmony with nature.* And, yes, on a global scale.

3. The future of these institutions

Consider that the typical model in favor of benefits consistent with the expectation that can be reinvested, clashes in the Third World with the incontrovertible fact that a significant portion of these benefits simply are not reinvested. However, the World Bank (WB), the International Monetary Fund (IMF) and even the so-called "regional banks, such as the Inter-American Development Bank (IDB), are holding private priority projects, consistent with the strict criteria of profitability market. In general, therefore, global banking has increased sharply in recent years, the liberal approach. Well, we sincerely believe that this project is a big mistake, because you have to understand that a large number of underdeveloped countries, since the domestic private sector is rudimentary, the word "private" *ipso facto* tends to be regarded as a synonym for "foreign".

Keep in mind, moreover, that the World Bank, in the same way as other international institutions, have to follow the governments. The criticism, therefore, their patterns of behavior should be directed not only to the internal organization of the bank itself but also its Member States. *The first might be that the BM part*

⁴⁸Joseph Eugene Stiglitz is an American economist, public policy analyst, and a professor at Columbia University. He is a recipient of the Nobel Memorial Prize in Economic Sciences (2001) and the John Bates Clark Medal (1979). He is a former senior vice president and chief economist of the World Bank and is a former member and chairman of the (US president's) Council of Economic Advisers. He is known for his support of Georgist public finance theory and for his critical view of the management of globalization, of *laissez-faire* economists (whom he calls "free-market fundamentalists"), and of international institutions such as the International Monetary Fund and the World Bank.

⁴⁹*Vide* V. NAVARRO "Globalización y desigualdades", in the newspaper *La Vanguardia*. Barcelona, May 29, 2001.

of a basic paradox or contradiction: it works as a commercial bank and priority aims to end poverty in the world. The solutions to this dilemma are outside the bank, in the international financial architecture and the way to solve the problem, that the bank tried to answer but in the wrong way: through the funding of development.

It turns out that the WB is not designed to channel public funds in the form of grants or repayable grants to poor countries, but to carry out functions as an intermediary between the private market and developing countries. The institution, therefore, as a bank, lent the money and awards in the form of loans, which causes even more debt for the borrower. The bank being more interested in the recovery of loans granted for the improvement of the financial systems of these countries, really only perpetuates the original problem. The great challenge that remains, in the reform of the Bank is, in our view, how you can get there a positive transfer of capital from rich to poor countries, and no longer occurs or mirage the aid drill described above.

What takes place today, is a kind of worldwide public charity. Governments of the Member States give what they want to whom they want, when and how it suits them. The basic principle lies in the voluntary process of development aid. Therefore, it would be outrageous for the establishment of mandatory rules that set mandatory contributions based on certain parameters or objective criteria of poverty. *Too often, donors do not necessarily lend money to countries that need them most, but to those with whom they have a greater political or economic interest.*

The policies advocated by the World Bank, IMF and WTO have high social costs, which favors the growth of social worldwide inequality and in many countries, as documented prof. Vicenç Navarro in his book entitled “Economic globalization, political and welfare state”, there is a clear link between deregulation of financial capital and labor markets and declining public and social spending, which accounts for social mobilization produced throughout the world against such institutions.

Probably, the functions for which they were created multilateral financial institutions, today, have lost much of their original meaning, which raises doubts obsolescence to meet the challenges of today's global society. In the case of the IMF, for example, it is missing the basic objective of ensuring the adjustment of the balance of payments in the current system of gold standard and fixed or adjusted exchange rates. In relation to BM, the purpose of providing financing to poor countries without access to international markets, under the premise of the lack of private funding in a framework of capital controls, is meaningless because of a demonstrably false assumption⁵⁰.

⁵⁰Vide J. PERRAMON “Les disfuncions...”

4. The rounds of international trade negotiations

As an international organization, the WTO has three main objectives:

- To help trade flow as freely as possible.
- Gradually achieve greater liberalization of trade.
- Establish an impartial mechanism for settling disputes that may arise.

Within the WTO, the Ministerial Conference⁵¹ is the most important organ of the governance structure. It is in the Ministerial Conference where decisions are political weight and where you can decide on any matter affecting the Multilateral Trade Agreements of the WTO (such as, for example, the Agreement on Agriculture).

The Conference should meet at least once every two years since the creation of the WTO until the beginning of the 21st century, has done eleven times, namely:

- Singapore: 9-13 December 1996.
- Geneva: 18-20 May 1998.
- Seattle: November 30 to December 3, 1999.
- Doha: 9-14 November 2001.
- Cancun: 10-14 September 2003.
- Hong Kong: 13-18 December 2005.
- Geneva: November 30 to December 2, 2009.
- Geneva: 15-17 December 2011.
- Bali: 3-6 December 2013.
- Nairobi: 15-19 December 2015.
- Buenos Aires: 10-13 December 2017.

At the Fourth Ministerial Meeting of the World Trade Organization (WTO) held in Doha, capital of Qatar, from 9 to November 14, 2001, there were two important events: the admission of two new members to the Organization China and Taiwan, from January 1, 2002, and achieving consensus among its 142 member countries to initiate a new round of multilateral trade negotiations (the latter was the so-called Uruguay Round of GATT), the first to be held under the auspices of the WTO, established in 1995, and explained the objective of further liberalizing world trade.

⁵¹The topmost decision-making body of the WTO is the *Ministerial Conference*, which usually meets every two years. It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. The Ministerial Conference, which is attended by trade *ministers* and other senior officials from the organization's 164 members, is the highest decision-making body of the WTO. Under the Marrakesh Agreement Establishing the *WTO*, the Ministerial Conference is to meet at least once every two years.

With regard to the admission of these two new countries, a long period of negotiations was closed, which in the case of China lasted 15 years. Both countries have an important stake in international trade that has been improving in the following years (especially in the case of China) with the opening of their markets to international competition for both goods and services.

As for the new round of international trade negotiations, consensus to start it has not been easy. It was a failed attempt and sound at the Third WTO Ministerial Conference held in Seattle two years ago. Since then, he has worked hard to eliminate differences that prevented agreement on topics to include in the negotiations and the extent expected of them. Despite this previous work, it took further six days of intense negotiations to finally achieve formal call for negotiations. As of now, starts counting the clock and begins a period of three years during which countries must negotiate and reach agreements in all chapters dealt with.

One might ask, ultimately, why has it been so difficult to call this new round? To answer this question, we first analyze the reasons that led to the proposal to convene and, secondly, the problems encountered in achieving agreements to its contents.

The call for a new round is warranted for several reasons. First, in some of the WTO agreements had already stipulated that further negotiations would begin in 2000. That was true for agricultural trade, trade in services and also had reviewed the functioning of the Agreement on Intellectual Trade Related Property Rights? (TRIPS). Therefore, opening a period of separate negotiations on two important components of international trade, agriculture and services, whose specific weight in world trade in 2000 were 7.3% and 18.8%, respectively. Both sectors contribute further to two-thirds of world output and employ a similar percentage of the workforce. On the other hand, it's carrying out a major revision of a complex agreement such as TRIPS.

Secondly, it should be realized if negotiations were initiated on the issues of the future of the WTO, namely trade and the environment, international investment rules and competition rules.

All these issues have been and are being studied within the Organization in order to determine whether the WTO should regulate on the basis of their links and their impact on international trade and, if so, what is the scope of that regulation.

Third, we had to continue the work begun with the GATT in 1948 and continue with the usual tariff reductions levied on commercial transactions and thus, presumably, promote the expansion of the international economy. There was therefore a sufficient basis for negotiating issues and also as the history of international trade relations confirms the inclusion of all items previously listed in a new round of negotiations was intended to maximize the potential results of the

negotiations. This is because the interests of developing countries in trade negotiations are not entirely coincidental and are necessary in order to achieve a good agreement that the demands of all of them are present and that the outcome or final consensus can be balanced. Therefore, in Seattle in 1999 the countries considered that it was time to start a new period of multilateral negotiations.

There were also serious disagreements on the scope of negotiations between the developed countries themselves. Thus, while defending the United States without clear counterparts, an agenda limited to agriculture, services, labor standards, environmental standards and electronic commerce, the European Union, supported by Japan, defended the inclusion of investments and standards competition and sought to undertake negotiations on agriculture with limited commitments. All these differences were, as a result, the Third Ministerial Conference failed in its mission and that the call for a new round of multilateral negotiations will ultimately be postponed⁵², although it is expected the next Ministerial Conference in the fall of 2003.



⁵²*Vide Informe mensual* (December 2001) Research Department of "la Caixa", cited in the bibliography.

VII. INTERNATIONALIZATION AND LIBERAL TRADITION

Notes Prof. Perez-Díaz, against what might seem to some free trade fundamentalists, and even against what Samuel Huntington suggests in a recent work⁵³, a commitment to Western civilization is not a bet unequivocal and irrevocable sense as the legacy of that civilization is ambiguous and includes strictly contradictory traditions. Huntington himself has suggested that Western civilization should renounce our pride claims to be a universal civilization and to limit its ambition -for its own sake-to- be a more distinctive voice in all civilizations in the world⁵⁴ and not expect the clash or confrontation between them. Here reference may be appropriate paths: one idealistic thought of Immanuel Kant (in his pamphlet entitled *Idea for a Universal History from a Cosmopolitan*) and another, much closer to us, the thought of Friedrich Hayek⁵⁵.

Both the current *empiricism* and *rationalism* come together in Kant (1724-1804). Empiricism ended in David Hume in phenome skepticism. Rationalism culminated in Leibnitz (1646-1716), whose doctrines systematized and trivialized by his disciple, Christian Wolff, ended up in a rationalistic dogmatism. Kant, in turn influenced by it and by that trend, tries to overcome them by merging both of them in his *apriorism*, which draws the right experience and the precise role they play in knowledge. At the same time, trying to overcome the skepticism and dogmatism with his *criticism*, undergoing a severe test of the cognitive faculties of man and pointing in sweeping limits what can and what cannot. To achieve a correct understanding of Kant and his thought, we must not forget either the impact caused to him by the success of the Galilean-Newtonian physics and that his life was unfolding at the height of the Enlightenment.

For Kant, the proper function of intellect is the faculty of *judging*, that is, to match in the synthesis judicative the pure concepts with the data of experience, while the specific function of reason is *to conclude*, or at least reach results. The final synthesis aspirational ideas are the reason. The human being aspires to the synthesis of all material phenomena: this is *the idea of the world* as a whole. According to Kant, the "biggest problem of the species" would be the achievement of a certain "universal civic society" to administer the law of freedom among men, i.e., an order that maximizes the freedom of each so as to be compatible with that of everyone else.

At the end of his life, Kant developed a famous essay on a *project of perpetual peace* (1795). States are like men in the state of nature. To make war impossible the states need to be consolidated into a federation. But what forces them to undertake such a great project? The "rational will of the universal". Guess the philosopher who seems as if nature itself gives us the solution to this problem so

⁵³Vide the work of S. HUNTINGTON (1998), cited in the bibliography.

⁵⁴Vide S. HUNTINGTON, *The Clash of Civilizations and the Remaking of World Order*. Touchstone Books. London, 1998., p. 312 and next.

⁵⁵Vide the work of F. HAYEK (1960), cited in the bibliography.

that the history of humanity could be seen as making a secret plan of nature-oriented universal constitution of that state as a prerequisite for the development of our capabilities (the solution to "the most difficult of the species and the last to be resolved.")⁵⁶.

According to Teresa Santiago Oropeza, Kant, one of the greatest philosophers of the enlightenment tradition, was convinced that a perpetual peace is possible only if man was capable of being guided by practical reason in order to leave behind the mechanism of war and let peace be his final goal and his duty. Man has a natural inclination to live in community but, at the same time, he wants to preserve his individuality at any cost; Kant calls this an unsocial sociability. Yet, this natural mechanism can be used in favor of the moral goals of the species as an incentive to escape from the mood of war and create the political and juridical conditions that could eventually eradicate war. The main ideas of this rational project constitute the *leitmotif* of the mentioned essay. In that text, his author stipulated the conditions he considered essential for a lasting peace -a perpetual peace-, in the form of preliminary and definitive articles. It is about establishing minimum juridical basis that could guarantee reliable relations between states, a republican constitution and a federation of free states, are some of the stages to be fulfilled in the instauration of perpetual peace.

Indeed, if Kant reveals the outlines of what could be a *civitas* or international civil society and so, despite his caution, with a touch of excitement and ingenuity, let's see how within that same tradition of liberal thought and conjugating its two variants, Anglo-Saxon and Germanic, Hayek continues the position of the genius of Königsberg and modulates and rectifies significantly. And so, to Hayek "the successful resolution of international relations can probably not be as the ultimate units of the international arena are historical entities known as sovereign nations." However, not fulfilling the desire for the establishment of a supranational authority (such as the European Union) would be enough to get it and still insists that "we must recognize that today, strike us as lacking the moral (cultural and institutional) of the rule of law internationally". Elaborating on the same line of reasoning, added that "probably lose the advantages that we have to enjoy limited release orders within a few nations, if we were to trust the government new powers to supranational bodies."

Please note, the thinking of the "new liberals" and, more specifically of Hayek, who was under his call as he met, at the end of the Second World War, a remarkable group of economists whose primary mission was to defend back to liberalism. A new liberalism with its precise reforms, while certainly unique and contradictory, began to take the principles of the liberal creed very seriously *and giving the State of the crucial and difficult task of implementing them by force*. This call for Hayek, as stated by M. Friedman, showed that the monetarists were not alone and relevant personalities who accompanied them to perform tasks

⁵⁶Vide I. KANT, "Idea for a Universal History from a Cosmopolitan Point of View", cited in *On History*, trad. L. W. Beck: McMillan. New York, 1963 (1784), pp. 11-26.

arranging capital in the post-war world, as the Italian President Luigi Einaudi or the Minister Ludwig Erhard, is directly associated with the wonderful "German miracle".

John Maynard Keynes (1883-1946) and Friedrich August Hayek (1899-1992) were two prominent economists of the Great Depression era with sharply contrasting views. The arguments they had in the 1930s have been revived in the wake of the latest global financial crisis. Unlike Keynes, Hayek believed that genuine recovery from a post-boom crash called not just for adequate spending, but for a return to sustainable production, a production purged of boom-era distortions caused by easy money. Hayek was dismissed as someone who wanted to "liquidate labor, liquidate stocks, liquidate the farmers", and so on. But an unsustainable boom is one after which some things really do need liquidating. The straightforward recipe for the revival of healthy investment following the 2007 crisis was to liquidate.

Today, the Enlightenment ideal of creating a universal civilization is nowhere stronger than in the United States, which is identified with the universal acceptance of the values and institutions of the West, understanding the term "West", that yes, as a collection of Anglo-American values. The idea that America is a universal model has been for a long time, a feature of American civilization. Over the past eighties, the Right had the ability to claim the meritorious idea of a national mission to serve the free market ideology. Now, in the twenty-first century, the global reach of U.S. corporate power and the ideal of universal civilization have seeped/permeated deep into the whole American public opinion.

But the model or pattern constructed '*desideratum*' by the United States for the world is not accepted, by virtually any other country. The cost of American economic success includes levels of painful social division (crime, imprisonment, death penalty, racial and ethnic conflicts, and family and community breakdowns) that almost no European or Asian culture would be willing to tolerate⁵⁷.

Anyway, we see that the thought of Kant plays a role in the inescapable history of philosophy, criticism in knowledge, rigorous and capable of moral thinking beauty. His transcendental idealism opens the way to subjective idealism of Fichte (1762-1814), the objective idealism of Schelling (1775-1854) and the absolute idealism of Hegel (1770-1831). Kant is the founder of German philosophy. It is impossible, even today, not to come across to the philosophical depth of his thoughts. We see it here and there down any road and around any corner, as it is the case before us today, with Globalization.



⁵⁷Vide J. GRAY, *Falso...*

VIII. MULTINATIONAL ENTERPRISES AND INTERNATIONAL TRADE

1. Moot effects multinationalization

In light of the results, we can guess that it's not just the major international institutions which can provide dubiously satisfactory solutions to the problems of the fairest distribution of income and wealth in the twenty-first century world. The influence and power of large multinational companies, as noted in another passage of this book, interferes and distorts international trade with two separate types of actions⁵⁸:

A) *Changing the parameters of the business problem for its internal trade*: By setting up a kind of division of domestic work in their facilities scattered throughout the world, producing one or more components of a product are assembled elsewhere., a sort of trade among the multinationals themselves takes place in which each subsidiary specializes in a greater or lesser valued activity, depending on the level of development of each country; the skills of the workforce, labor costs, the existence of raw materials or other factors. Thus, a large part of world trade is internal trade between the various subsidiaries, which makes it difficult to determine the real nationality of the final product because component inputs come from scattered sources.

B) *Implement and order to relocate production*: In this case, exports are replaced by local production, either a subsidiary or a joint venture. Their motivations are varied: the Japanese 'transplant' production to Europe, consisting of the establishment of automobile factories in Britain who pose a limited response to the share of imports that the EU imposes, or the transfer of factories from one country (France) to another (Great Britain) who had more flexible labor laws and 40% lower wages.

As regards the role of multinational companies, their key advantage lies in the growth of their product range or level of control over their production, rather than endowment factor of different countries. However, low labor costs or natural resource abundance may play an important role in specific cases of industrial relocation. The multinationalization can be achieved by internal growth of the company, creating a productive unit in a foreign country, but takes place more often, by external growth through the acquisition of a foreign company, or through a merger or takeover.

These companies usually have business figures higher than the national budget of the countries where are implemented their subsidiaries, so that their power is enormous and has a decisive influence on the economic policies of that country. Thus, its implementation is assessed by the creation of productive employment that entails economic and induced drag. Strive to "idiot" to the people forcing the

⁵⁸Vide Ch. BUHOUR, *Le commerce...*

indiscriminate consumption of their products through well-orchestrated advertising campaigns, while control governments and their cultures. *Their power forces governments of the countries where they have subsidiaries to curb wage increases or to reduce the tax or reduce environmental laws, otherwise they withdraw their investments and with them the jobs created.* Their production has no borders and nationalities and set their strategy in terms of its benefits without taking into account, rarely, the interests of the countries hosting production facilities.

An example in the next time and in space has given us the U.S. multinational Lear Corporation Detroit in February 2002, announced unexpectedly the closure of its factory in Cervera (Lleida, Spain), dealing a harsh blow to the labor market area that involved the layoff of 1,200 workers directly and a corresponding loss of indirect jobs. Obviously, in Poland, for example, production costs are considerably lower. All this meant a real trauma for various regions of the province of Catalonia, with few occupational alternatives in the field of industry or services, given its rural vocational traditional. Not happy enough with his cutting decision, the directors of Lear bettered the conditions of the payment of severance pay provided that no protest was staged.

Sometimes, more recently, job insecurity has been taken advantage of to intimidate the negotiation of the corresponding agreement, threatening a possible reduction in the workforce for no other reason than to reduce labor costs. Right now Samsung, Phillips-Novalux, Pirelli, Fisipe, Autotex or Nissan are reevaluating their permanence in Catalonia in search of cheaper labor markets and more permissive laws and rules in environmental taxes: this is the so-called globalization or internationalization of the world economy and trade, which is based on the occupation of the so-called "industrial paradises".

Moreover, government leaders lack vision in the long-term. They do not value the dangers of altering nature with their desire for consumption. In this regard, we like the USA experience serious health problems due to the population's poor and unbalanced diet.

Transnational hegemony became a few years ago something like a global coup: suddenly, from within the GATT round, came the gruff voice from a large corporate system trans nationalized and weighing more than the States assembled. Thereafter, often the corporate power began to dictate the rules for global application and use. The system got along well, in addition, parallel developments of "single thought." They seemed made for each other. And the troupe sheepishly waterfowl species (ducks go in droves, but the eagle is by itself") hegemonized global economic relations. Their movement on the whole enthroned Globalization and dogmatize as manifest destiny and the characteristics and rules of the game that they gave (something like "unity of destiny in the universal" according to the ideas of General Franco - José Antonio Primo de Rivera).

As long as hegemony was extended of transnational capital, Globalization was assured. In all its dimensions, too, should express to the capitalist core and facilitate its development. Therefore, for the “gentiles”, to globalize was to register your region in the list of generous investment preferences, overcoming their ancestral horrible evils.

2. The environmental costs

About thirty years ago some climatologists ventured that our planet was warming. They argued that since the industrial revolution, mankind had poured into the atmosphere increasing volumes of gases, especially carbon dioxide from burning wood and fossil fuels, but also saturated hydrocarbon gases creating a refractory effect such as methane, from large scale livestock farming.

As industry, traffic and intensive farming were developing, the amount of greenhouse gasses were growing. They have accumulated and have formed a veil in the atmosphere, letting in sunlight while trapping the heat, a circumstance that prevents the cooling of the planet and so the Earth's temperature increases. This phenomenon has been called the "greenhouse effect" because it acts like a glass or plastic covering over the land increasing its temperature.

Different measurements confirmed the increase in global average temperature over the twentieth century. For example, a report from the European Climate Network, which analyzed the air temperature, precipitation and sunshine hours, which reflects the rise in average temperature over the past century on the European continent; recording the highest number of floods in the south and increased periods of drought. For the authors of this report, there is no doubt that the warming of the last century is triggered by land development in Europe. But this increase was fired between 1980 and 1991, during which the thermometer reads between 0.25 and 0.50 °C more, depending on the area, that in the time lag from 1950 to 1980.

The first computer-aided climate models confirmed the possibility that, at the end of century, the planet's global mean temperature had risen by about 3°C. Despite the evidence, scientists from the IPCC (Intergovernmental Panel on Climate Change)⁵⁹ until recently questioned the link between this change and human activity. Their thesis argued that there have always been climate changes and now is just one more, regardless of environmental pollution.

⁵⁹The IPCC was established in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Program (UNEP) and was later endorsed by the United Nations General Assembly. Membership is open to all members of the WMO and UN. The IPCC produces reports that contribute to the work of the United Nations Framework Convention on Climate Change (UNFCCC), the main international treaty on climate change. The objective of the UNFCCC is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic (human-induced) interference with the climate system". The IPCC's Fifth Assessment Report was a critical scientific input into the UNFCCC's Paris Agreement in 2015.

However, in May 1995 they got new data, such as those provided by the Max Planck Institute for Meteorology in Hamburg. Besides confirming the increase in temperatures over the last twenty years, its director, Klaus Hasselmann, demonstrated a 95% chance that the cause of warming was human activity. The German researchers reproduced by computer thermal oscillations recorded during the last thousand years and compared with the increase and the current oscillations. Their models also took into account the regional distribution of the rains and the dispersion of the temperatures and currents. The result was enlightening and frightening at the same time: the current rate of warming is unique in any previous climatic oscillation, the temperature was increased both in a very short period of time, and that can only be due to the unbridled intensity of human activity⁶⁰.

Among the expectations or consequences of this increase include the rise of ocean levels at about 45 centimeters in 2100, affecting a total of 100 million people currently living in coastal or delta-like Delta del Ebro and other Spanish cities—doomed to drown or to set up costly protection systems. So far, in the last two years, the increased level was exceptional, eight millimeters, according to data provided by NASA itself.

The first obvious signs of climate change seem to have already arrived. In Antarctica, two ice platforms Graham Land have emerged, confirming the estimates made. But there are still more details:

- The *global average temperatures* have risen between 0.3 and 0.6 °C over the last 140 years. The nine warmest years of this long period were recorded from 1980, reaching its peak in 1990. This manifests itself steadily increasing despite the major eruption of Pinatubo volcano in 1991, "which caused it to be the only year with a decrease in average temperature," it spat 30 million tons of Sulphur dioxide SO₂, which acted as a barrier to sunlight.

- The retreating *ice masses* worldwide. Glaciers in the Swiss Alps have lost half of their area since 1850 until today and, according to NASA, the extent of arctic soil decreased by 2% between 1978 and 1987. The British Scott Polar Institute denounced, meanwhile, that the Arctic ice cap has lost between 4.4 and 5.3 meters thick, while the Antarctic ice reduces the 1.4% per decade.

- For the past 100 years *sea level* has risen by about twenty centimeters and this rate has accelerated to 3 cm per decade. This rise puts the edge of the dive to several small island states of the Pacific Ocean.

- In addition to increasing the level, the *oceans are heated*. In the tropics, water temperatures have risen 0.54 °C over the past fifty years. The one hundred meters above the Pacific in California, have warmed an average of 0.8 °C over the past 42 years and the deepest levels of the Mediterranean have increased 0.12 °C temperature since 1959.

⁶⁰Vide O. PIULATS, Magazine "Integral". November, 1995.

- The rising global temperatures and sea air have also been expressed over recent decades by major droughts in regions as far away as California, Great Britain, Spain, Brazil and Zambia. As a result of all this, *desertification* has accelerated and is already affecting 35% of the land surface.

The heat will evaporate much more of the water in the future than at present and will cause a major drought in warm regions today, and even in temperate regions. Many river sources and streams will dry up, vegetation (as we know it) will disappear from many areas, deserts will advance ... Southern Spain, Italy or Greece, North Africa, Middle East or South America will have a landscape similar to that which is current in the Sahel in the north of Europe and America the climate is warmer, especially wet. And in the event (which in any case it is scientifically not yet corroborated) that increasing temperatures reach an average of one or two degrees Celsius and rainfall aqueous correspondingly diminished by 10% and 20%, water resources can reduce by 40% to 70%.⁶¹

However, far from taking all precautions and preventive measures required by the case, unrestricted and accelerated exploitation of natural resources has become the obsession of the hunger for currency conversions. Nature never found such a brutal enemy that begot this final stage of globalizing capitalism⁶². In practice, a steely mix of projects, meetings, actions and regulations ecological open borders, already weak, has built the current situation of pollution, environmental destruction and global warming.

The privatization campaigns left the accounting principle of nature, the administration of business, the entertainment of ignorance and appetite, which in some moments did overshadow the perception of many environmentalists, who blame the "man" of the disaster, and expanding the corporate system. The companies, in earlier decades, did not fail to perceive the risk that represented a realistic vision of environmental destruction. Just as tobacco companies paid scientists to exalt the indisputable benefits of snuff, globalizing system also denied involvement in global warming, and they even denied that it was happening. Then they joined the evidence, but there is still a fierce willingness to continue supporting destructive projects. An example is what happened with the Kyoto protocol⁶³, which has lacked support from the U.S. Or the behavior of governments

⁶¹Vide J. M. FRANQUET, *Con el agua al cuello (55 respuestas al Plan Hidrológico Nacional)*, Ed.: Littera Books, S.L. Barcelona, 2001, p. 29 and next.

⁶²Vide F. GARCÍA MORALES, *Los límites de la globalización*.

⁶³The United Nations Framework Convention on Climate Change, in Article 17, provides that the Conference of the Parties may adopt protocols to the Convention at any ordinary session, and this is what happened during the third session of the Conference of the Parties (COP 3), held in Kyoto (Japan) in 1997. The Kyoto Protocol marks a historic milestone because, for the first time, industrialized countries are approving legally binding quantitative easing targets. The Kyoto Protocol to the United Nations Framework Convention on Climate Change strengthens international measures in response to climate change. The Protocol details the policies and measures to be taken by the Parties included in Annex I. Calls for more efficient use of energy and transport, the promotion of renewable forms of energy, the phasing out of fiscal measures. and subsidies contrary to the objectives of the Convention, the limitation of methane emissions

hungry of corporate support, who do not subscribe to restrictions on environmental pollution, because that would limit "comparative advantage" (and we return to the venerable "essence" of orthodox economics!). Or the will of the Cardoso government to end, with a little luck and once and for all, the extraordinary Brazilian Amazon.

It is clear that the full opening of sea and forest conversion into capital, continues to generate huge profits, and offering, therefore, their contribution to the advancement of suicide Globalization. But this is not a road free of obstacles such as in the past: there is a limit to the inexhaustible nature which is clearly visible and differs from the old idea. Also growing alarm is growing over the results. And even more than the alarm, with the acculturation of the people, there is an increase in environmental awareness among the people, as demonstrated in Seattle and, thereafter, in any relevant meeting that they carry out the modern predators on our planet.

We believe, finally, that even the global laissez faire has become a threat to peace among states. The international economic system of today has no effective institutions to preserve the rich biodiversity and the environment. There is a risk that in the near future rather, the sovereign States got into a fight for control of the dwindling natural resources of land, for example, fresh water. In our country, the National Hydrological Plan as the dangerous leitmotiv idea presenting as the great diversion of the Ebro River to other river basins. This is raising much controversy and widespread rejection by the scientific and university communities. In the next century, the traditional ideological rivalries between states may follow Malthusian wars caused by the depletion of some essential or important resources, such as water.

Today, mankind has learned, through modern technology, to overcome the natural barriers and physical (terrain, distance, oceans and outer space). Previously exceeded the natural balance and prevented the absurd destructiveness of *Homo sapiens*, which is already rampant. It would therefore be a poor consolation to think

from waste management and energy supply systems, the protection of forests and other environmental carbon sinks, and so on. In accordance with Article 3.1 of the Protocol, developed countries and countries in the process of transition to a market economy, i.e. the parties included in Annex I to the Convention, undertake to reduce, individually or together, during the five-year period 2008-2012, at least 5.2% of the anthropogenic emissions of the six gases under control. This reduction will have to be made with respect to the level they issued in 1990, although countries in transition to a market economy are allowed to choose another reference year. In addition, countries can choose 1990 or 1995 as the base year for their halocarbon emissions. For the purposes of the application of the Kyoto Protocol, the greenhouse gases listed in Annex A are six: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆). The same appendix details the economic sectors that are the main emitters of these gases. The Protocol also includes an Annex B which indicates, for each country included in Annex I to the Convention on Climate Change, the level of emission reductions. The distribution of the proposed reduction is unequal: the fifteen member states of the European Community (before the expansion to 25 states in May 2004) accept an overall reduction of 8% (this target is distributed in different percentages for each Member State, forming the so-called "European bubble"); the United States, 7%; Japan, 6%, and Russia and Ukraine can stabilize emissions, that is, they promise not to increase them. For this purpose, net variations in emissions are taken into account; that is, the emissions produced by the sources minus the absorption of the greenhouse gas sinks created after 1990.

that may also occur a social ecological catastrophe that stops, therefore, this irrational degradation of the planet, because then it will already have a real problem for survival of the human species.



IX. THE NATIONS OF THE WORLD TO THE NEW ORDER

1. The situation of different countries

At present, the top ten debtor countries represent only 40% of the external debt of the Third World—are in this order: Argentina, Brazil, Chile, South Korea, Indonesia, Mexico, Nigeria, Peru, Philippines and Venezuela. *However, these countries are not exactly the poorest, but the most integrated in the system of international free trade.* And the profound economic and social crisis currently experienced by the first of them has been a direct consequence of the circumstances.

The famous "law of comparative advantage", enunciated by the English economist David Ricardo, to which we referred earlier, is surprisingly at the origin of this extraordinary paradox that countries where people die of hunger are also major exporters of food. Now, in this regard, Brazil, with 40% of undernourished people, is at once the second largest exporter of food! What happens is that rather than concentrate on domestic demand and local consumption, these countries (Africans in particular) persist in occupying the available spaces have been allocated in the new world order, selling meat, coffee, cocoa, tea, timber, peanuts, cotton, etc. in international markets. In total, Europe (which destroy their stocks of fruit and vegetables, milk reservoirs and butter mountains) imports from the hungry Third World food twice that supplied to it.

In the nineteenth century, Germany became a great power because, among other things, rejected the law of comparative costs and some other pilgrims Ricardo theories to use. On the contrary, adopted the principles of national economy, as stated by Friedrich List. Portugal, which was submitted to the theories of Ricardo, the liberal economist, has remained a semi-developed country. Therefore, it is natural that now many economists of the Third World begin to distance themselves from international free trade system whose malignancy has been demonstrated, among others, by Francois Perroux.

2. The particular case of Japan

A special case is singularly Japan, a country belonging to the Third World for years, now has become a nation rich and developed, and is, in this respect, a great model for disadvantaged countries, not because of the reasons why it is observed for and satisfaction with the liberal media (non-union companies without the right to strike or political protest), but because this country has) been able to develop as an original way to progress, and without leaving its personality. The fact that around the year 1870, was the only country politically structured and possessing a good technical level but not integrated into the international trade network put into operation by the industrial revolution, for it has been an advantage.

After 1945, the Japanese developed their strategy relying on two fundamental rules: 1) does not import products that are not essential for the growth of local industry, 2) not to import the products that exist or may occur "in situ" though they are more expensive. Thanks to this timely protectionism, aimed at ensuring economic independence and national policy, the Japanese industry, having secured the reconquest of its domestic market, launched into notable dominance of the world market with the success we already know. This shows that this development is not incompatible, eventually, with an expansion of foreign trade.

In Japan there are no export incentives and the West. The aid is primarily based on the rationalization of production structures and research and development. In fact, Japan's exports are concentrated and dominant in a range of competitive products constantly innovated and reinvented⁶⁴. The whole of its trading system is articulated in domestic economic structures: from the side of the inflows, we see a real closing of imports by means of the distribution channels that act as monopolies importers; from the side of the outflows the great strength of the Japanese economy is in the extreme concentration of export channels.

Japan protectionism takes many forms: tariff barriers (high tariffs), non-tariff (the *dango* (dumpling) on public markets, particularly denounced by the U.S., the commercial dumping...), technical regulations and certification processes that increase opacity of the market. Generically, we can say that the Japanese mentality favors national products and services while ostracism goods or services, the nature, quality or regulations of them are different to traditional design.

Japan is the Asian economic superpower of the future, predictably, it will maintain its hegemonic position. As the first Asian country to industrialize and the world's largest creditor. This gives it advantages that are not shared with any other Asian economy. Its high levels of education and its enormous capital reserves make it a better country, perhaps even better equipped than any Western country, for the knowledge-based economy that was imposed in the century that just begun. And yet, it is facing a financial and economic crisis that jeopardizes the very existence of the distinctive Japanese economy.

Be aware that without a solution to the Japanese economic problems, the Asian crisis can only worsen. In that case, the global economy is in danger of following Japan in its harrowing decline into deflation and depression. At this time, Japan faces the collapse of the competitive advantage of their prices and reduced economic activity on a scale similar to that faced by the United States and other countries in the thirties. Unless the depression is overcome in Japan, the prospects for the rest of Asia and the world can avoid it are very fragile.

Nevertheless, Western prescriptions for solving the Japanese economic problems are, in our view, inconsistent and contradictory mixture. Today, as in the past, transnational organizations insist that Japan must restructure their economic and

⁶⁴Vide C. VADCAR, *Actualités du Commerce Extérieur*, no : 2, March-April 1994.

financial institutions according to Western models, more specifically, Americans. According to such wise formulations, the solution to economic problems is the Americanization Japanese indiscriminately. In the logic of this analysis concerned the circumstances in Asia, Japan will resolve its financial difficulties only on condition that ceases to be "Japanese". Sometimes this idea is exposed bluntly or openly. As noted, approvingly, a writer for a neo-conservative U.S. magazine: "The United States has the IMF to do the work of Commodore Perry".

The result of a well-defined policy of forced Westernization, is not only to extinguish a unique and irreplaceable culture (which some already do well). It would also destroy the social cohesion that has been matched by the extraordinary economic achievements of the past half-century Japanese, and would leave the deflationary crisis unresolved that Japan is facing at this time.

Western governments demand that Japan -and apparently only Japan among the advanced industrial economies- adoption of Keynesian policies. The Western consensus says that Japan should cut taxes, expand government employment and manage vast budget deficits. At the same time, Western transnational organizations call for Japan to dismantle the labor market, which ensured full access to employment for the last fifty years. If Japan agreed to these requests, the result could only be imported from the insoluble dilemmas of Western societies, unresolved, conversely, that resolve none of the problems of the country.

If Japan imports western levels of unemployment, would be required to establish a western-style welfare state. But western governments are cutting back the welfare state on the basis that has created some "anti-social underclass." Again, then, Japan is being asked to import problems that Western society is not ready to resolve⁶⁵, not even willing to do so.



⁶⁵Vide J. GRAY, *Falso...*

X. GLOBALIZATION AND THE EURO

1. The disappearance of exchange rate control

Once adopted as the single currency in most of the territory of the European Union (specifically, in twelve of the initially fifteen constituent countries, namely Spain, Germany, Austria, Belgium, Finland, France, Greece, Holland, Italy, Ireland, Luxembourg and Portugal), from the year 2002, we see that the most important economic cost of the European Economic and Monetary Union (EMU) is the loss of nominal exchange rate as an instrument of national economic policy. In this sense, above, the exchange rate was used in two ways, namely:

a) *As a means of restoring the lost external competitiveness due to higher inflation.* Until the mid-eighties of the century that just expired, for example, the major chronic inflation experienced by the Spanish economy and deteriorating export capacity of enterprises, was offset largely by means of a gradual decline in the exchange rate of the peseta. In fact, in a single monetary zone, the concept of regional or national inflation ceases to be relevant, but it is true that if the region- or state-maintained regular inflation rate above the average surrounding this loss of competitiveness no longer may be offset by a devaluation of its currency.

b) *As a tool to counter specific regional crises.* If an economy, for example, specializes in a particular industry (shipbuilding, chemical industry, agriculture, tourism, etc.) And for cyclical reasons the global demand for this sector falls, causing a crisis or shock specific differential in that area, the devaluation of the exchange rate allowed a decrease in export prices (and an increase in imports) and provided, therefore, the adjustment to the crisis. Something similar happened when the shock was of supply, i.e., when an economy heavily dependent on any goods or services abroad (for example of oil or natural gas) was with a sudden price increases of the same, then their competitive position against other economies less dependent on imports that are deteriorating. However, the revaluation of the currency was a classic and effective way to restore lost competitiveness⁶⁶.

Thus, the disappearance of the exchange rate as a last resort against the loss of foreign competitiveness, is a high-risk exercise. In our country, without going any further, the strength of the peseta which occurred between 1987 and 1991, in a context of growing internal imbalances, ended with an abrupt devaluation of the Spanish currency, which in a few months was able to regain the level prior to before the crash. Such devaluation could restore lost competitiveness to companies, both exporters and to the dependents of the internal market, previously injured by imports that were carried out at low prices. Had not being used such an instrument of traditional economic policy, industrial tissue destruction would have been irreparable, still considering the question of whether operators have acted in a manner consistent with the logic of monetary union, reducing revenues, costs

⁶⁶Vide J. ELÍAS, *El desafío de la moneda única europea*. Research Department of “La Caixa” (Caja de Ahorros y Pensiones de Barcelona). Barcelona, 1996.

and adjusting stabilizing the imbalance of public finances. In addition, the subsequent recovery in economic activity is just based on exports, taking advantage of the low exchange rate peseta/dollar, so that, in the absence of said devaluation, it is likely that the economic recovery had occurred much more slowly and with a social cost in terms of employment, substantially higher.

Posts to philosophize one wonders, finally, what would have happened, at this stage in relatively recent Spanish economic history, having been already integrated into the EMU⁶⁷ and that operators had not been adapted to the consequences of this loss of competitiveness. The conclusion, though hypothetical, is pessimistic about the behavior of an economy, as the Spanish at that time, was unable to survive the crisis itself without the ability to use these exchanges measures.

In any case, we must acknowledge a high degree of subjectivity in the pessimism to which we have just referred. To do otherwise would give too much importance to what we might call "political fiction" or, even better, "economy-fiction." And is that identity issues have arisen, even heated theological debates over history. Thus, in the fifth chapter of the treatise *De omnipotentia* of Pier Damiani, for example, the author argues against Aristotle and against Fredegarius of Tours, that God can make that has not been what it once was. Also, in the *Summa Theologica* of Thomas Aquinas denies that God can do that the past has not been produced (in apparent contradiction with his omnipotence), but nothing is said of the intricate chain of causes and effects. Changing the past is not simply modify a single event which took place: it is to cancel their consequences, which tend to be numerically infinite. That is, it is to create two different universal stories⁶⁸.

We are aware, in short, that the issues presented, which can have great impact on many countries in our regional environment, are not derived directly from economic globalization, but from the creation of EMU and the inability of central banks to model policy of each member country against internal and external avatars. But we note, however, that the expiry of the powers of regulation and control can cause serious problems in a globalized world, international trade in goods, financial services and products are much more intense than it was today.

⁶⁷The Economic and Monetary Union (EMU) represents a major step in the integration of EU economies. Launched in 1992, EMU involves the coordination of economic and fiscal policies, a common monetary policy, and a common currency, the euro. Whilst all 27 EU Member States take part in the economic union, some countries have taken integration further and adopted the euro. Together, these countries make up the euro area. The decision to form an Economic and Monetary Union was taken by the European Council in the Dutch city of Maastricht in December 1991, and was later enshrined in the Treaty on European Union (the Maastricht Treaty). Economic and Monetary Union takes the EU one step further in its process of economic integration, which started in 1957 when it was founded. Economic integration brings the benefits of greater size, internal efficiency and robustness to the EU economy as a whole and to the economies of the individual Member States.

⁶⁸These relativistic considerations could be added another: nothing is certain under the guise of the sun. Even a perfectly straight line, as stated at the time Nicholas of Cusa, is only the arc of a circle of infinite diameter (Vide J. M. FRANQUET, *L'immortal i altres poemes*. The author. Tortosa, Spain), 1993).

2. A brighter future for the euro?

According to John Gray, professor of politics at Oxford University and contributor to *The Guardian* and the *Times Literary Supplement*, a single currency does not allow the European Union's isolation from world markets, but to create an economic power able to negotiate equal terms with the United States. If all current EU members are integrated in a definitive way the project (right now there are only twelve to fifteen), the euro area or "Euroland" will be the wider world economy. The euro will then have the ability to challenge the U.S. dollar the dominant currency site. If the euro is set in the future as a reliable currency, a dollar collapse (otherwise undesirable) becomes more than a probability. If it goes ahead, the euro will bring the time when the United States will no longer be able to thrive as the world's largest debtor. Over time, perhaps quite quickly, so will inexorably change the balance of global economic power.

It is true, however, not yet put the internal conditions for the success of the new currency. Under a single interest rate, some countries and regions prosper while others languish. In the EU there are no conditions that have allowed the United States to adapt to these differences. At present, Europe lacks a widespread labor mobility on the continent and has no fiscal mechanisms to avoid large puddles that soak up unemployment in depressed regions of Europe.

With the euro in operation, however, European institutions are required to remedy these shortcomings. They will be forced to develop policies that allow the economy to respond in a more flexible way to the imperatives and constraints of a single currency regime.

It should be noted that the single currency cannot insulate Europe from increasingly intense competitive pressures, arising from the globalization processes that come from centuries. Probably long after the global *laissez faire* has gone down in history, Europe will still need to find their place in a world altered irretrievably by industrialization.

The single currency cannot protect Europe from the consequences of economic collapse in neighboring countries. If Russia is plunged into chaos after the collapse of the ruble, the direct economic impact may not be unmanageable, for countries of the European Union, but the political and social impact would be significant. How can countries such as Poland face the risk of large population movements across its borders to the east? How would such a large-scale refugee crisis, affect the strategy of the European Union to expand eastward?

The single currency will be of little help to Europe to deal with such problems. But it gives The European Union a powerful advantage to respond to the broader crisis of global *laissez faire, laissez passer*. If the world market begins to fall apart under pressures that it may not stop, Europe will be the largest economic bloc in the world. Its size and wealth will allow it to press for reforms that limit the mobility

of capital. If the Euro survives the turmoil of the years to come, the pivotal position strengthens Europe's voice calling for the regulation of speculative trading in currencies. Even in the case of a global depression like that of the thirties, the effects on Europe may be less severe than in the United States or Asian countries.

They fix it for free markets in Europe never had the commanding position that it has pursued sometimes in English-speaking countries. It is therefore not inconceivable that the European Union would take the lead in building a new framework for the global economy in the wake of global collapse of *laissez faire*.⁶⁹



⁶⁹Vide J. GRAY, *Falso...*

XI. THE TOBIN TAX. AN EMERGING SOLUTION FOR THE FUTURE?

1. Definition and objectives of the rate

As stated by Santiago Vilanova⁷⁰, the alternative discussed in the forums in Davos and Porto Alegre, paradoxically opposite is the application of the so-called "Tobin tax", a global tax on speculative currency transactions, named after the American economist who proposed it. This is the first global tax initiative proposed in 1972 by Professor James Tobin of Yale University, Nobel Prize in Economics in 1981 for his work in analyzing financial markets and situated ideologically poles apart from what that they mean to use anti-globalization movements. Together with Walter W. Heller, was adviser to President John Fitzgerald Kennedy and defender of the "New Tax Policy" (New Economics), continued by President L. B. Johnson. This rate is in fact a tax rate oscillating between 0.1% (one for every thousand) and 0.5% (five for every thousand) on financial transactions in the short term, in the international markets of currencies, in order to curb speculation in the capital markets, avoiding the devastating effects that a massive withdrawal of capital could result in the currency of a country and as a direct consequence, in its economy, given that the sudden withdrawal require countries to dramatically increase the interest in order for the currency to remain attractive. But high interest rates are often disastrous for the national economy, and have been highlighted in the crisis in the nineties of the twentieth century in Mexico, Southeast Asia and Russia. The Tobin tax, ultimately, return some leeway to the central banks of small countries and pose an obstacle to the cold dictates of financial markets.

The fee would be imposed at each change from one currency to another, it would deter speculators, because will dissuade investments with a horizon so close. As these operations now represent a higher figure than the 1.8 trillion dollars a day (about 380 billion pesetas, almost four times the annual GDP Spanish) could be raised by this concept, about 200,000 million dollars; i.e., in a year could cover the amount of external debt of Third World countries. This amount would apply to poor developing countries without destabilizing the eight major financial centers where 83% of the exchange traffic on the World Bank's own structures, is concentrated. These financial markets are: United Kingdom (32%), USA (18%), Japan (8%), Singapore (7%) and the rest is divided between Germany, Switzerland, Hong Kong and France.

Thirty years ago, Tobin effect only took effect as a prediction, rather than an analysis of reality, since it was at that time that the first electronic money transactions began to be done by computer. But it did just what he expected: at present, 85% of those transactions have nothing to do with the sale of goods or services, but correspond to purely speculative transactions that are short-term as more than 40% of these investments return to the starting point in less than three days, and 80% within a week.

⁷⁰Vide S. VILANOVA, "ONG antiglobalització, revolució o reforma?", in newspaper *El Punt*. Tarragona, June 9, 2001.

The rate in question was the main objective of calming the massive instability prevailing in the global currency markets, following the collapse of the Bretton Woods lighting system after the Second World War, which was based on the pattern of U.S. dollar's convertibility into gold.

2. The criticism of the monetarist or neoquantitativist

Clearly recognize that, in general, Tobin's thesis never turned out liked by the great exponents of monetarist economists neoquantitativist School of Chicago (Friedman, Knight, Viner, Simons, Klein, Schwartz, Stigler and Wallis), nor vice versa. In particular, an article by Milton Friedman published in the Washington Post ("Tax money and stabilization"), more than thirty years ago, attacks other supporters of the Tobin tax increase, according to Friedman, "write as if the tax changes had a clear and predictable impact on the economy, as if they could say with confidence, in advance, what effect will, on national income, employment and prices, the above all tax changes". Friedmanite says these considerations may also apply for the purposes of the Tobin Tax on international trade. Conversely, Tobin, in his article *Barry's Economic Crusade*, published in October 1964 in *The New Republic*⁷¹ broke all records of irony and hardness, showing how steely criticism was not an exclusive privilege of the Chicago School. The experience also proved comforting for Friedman himself, who could see the huge gap that separates the economy from politics and how difficult it is to expose and to clarify their own ideas when passion and facing the replace a patient laboratory investigation or in an environment strictly academic.

An important political factor that has guided the Friedman proposal is to deny the service of monetary policy for the maintenance of equilibrium in the balance of payments. As already mentioned above as one of the causes which have encouraged the growth of fiscal policy, the fact that within the framework of foreign trade at present, governed by fixed exchange rates and intense movements of speculative short-term capital Monetary policy could see compromised the stabilization of its management. The solution of the impact of the balance of the balance of payments, moreover, demanded unusual measures of monetary policy. Thus, if monetary policy was attending the external front, hindered or prevented their service to the purpose of stabilizing the economy at home, work that should necessarily play the fiscal policy. If we refuse to use fiscal policy it would not be a stabilizing alternative, given the required delivery of monetary policy to maintain the external balance.

This apparent dilemma is trenched by Friedman with his radical radicalism. What does it mean for U.S. foreign trade? 5 for 100 or so of its domestic economic activity. What amounts of monetary policy ensures balance and would hold foreign exchange rates at a fixed level? To adapt the domestic monetary policy to the decisions taken by the monetary authorities of the other countries around the

⁷¹Vide J. TOBIN, *National Economic Policy*. Ed.: Yale University Press, 1966.

world. Subordinate to 5 per 100, which is the equivalent to foreign trade, the 95 per 100 remaining and adapt to the political will of other countries, is not worth it and even foolish. Solution: the external balance is met by appropriate adjustments in the exchange rate, allowing them to fluctuate at the mercy of the changing conditions of supply and demand. In other words, if payments outside the United States exceeded revenues from exports and other sources (transfers, movements of capital inflows) would not take any measure of domestic monetary policy, would be simply that the value of the dollar go down in international currency markets, as would, therefore, the supply of dollars for payments made abroad, would exceed the demand that foreign importers to buy dollar made American goods and services or send their capital to States USA. This will again have an automatic adjustment mechanism that links to the most rancid concepts of orthodox economic policy, for this fall in the dollar would tend to stimulate American exports while reducing imports and capital outflows, with as a new equilibrium would be reached outside thanks to the vagaries of exchange rate. This proposal would relieve the heavy burden of stabilizing the balance of payments, monetary policy, winning for the important cause of internal stability.

If Friedman's previous reviews are admitted, we would have a monetary policy based on rules and not discretionary, a policy that does not adapt its decisions to the progress of the situation by being unable to act with diligence and opportunity and, finally, no should address the maintenance of equilibrium in the balance of payments and the task was entrusted to fluctuating exchange rates.

3. The future of application of the levy

In addition, it is also true that Tobin, the great American economist, has always marked distances with the anti-globalists, to whom accused, with some frequency, that had "abused" from his name and manipulated his ideas. The so-called "people of Seattle" remains, without one of its most emblematic flags. In recent times, statements of Tobin hit even Attac (Association for the Imposition of a Tax on Financial Transactions for the Aid of Citizens), founded in 1998, one of the most representative associations of the front and leading anti-globalization that in their own name have the name of the famous economist. In fact, according to him, the original intention of his idea to curb speculation differs from these organizations, which want to use the revenue accruing to the "strange" (apparently) purpose of "funding projects to improve the world".

Until relatively recently, the Tobin tax was an idea cherished by few economists and a very minor social group, until the director of *Le Monde Diplomatique*, Ignacio Ramonet, to which we referred earlier, re-launched the article into the public arena by a publisher who became the founder of the manifesto of that partnership, which now has over 30,000 members (about 250 in Section Catalan). More properly, the manifesto of Attac-Spain argues that "total freedom of movement of capital, tax havens and rapid growth in the volume of speculative

transactions push states, regions and cities to a shameful race to win the for large investors. This senseless competition leads to deliberate dismantling of the legal, social and State policies in order to facilitate investment".

The claim of the "Tobin tax" has not taken over by the ultra-liberal, has the support of leftist parties of the European Parliament and Socialist International. But curiously, it is also defended by the multinational pesticide company Fersol, which helped finance the Porto Alegre forum, magnate George Soros and Mark Mallon Brown, director of the United Nations Programme for Development and former head of international relations for the WB.

In any case, NGOs more critical and the most radical view that the Tobin tax will not be able to avoid tax havens, weapons, drug trafficking and environmental destruction. For them it is simply an orchestrated operation to redress the growing anti-globalization movement and transform it into the left wing of the modern neoliberal discourse, with the complicity of the Observatory of Globalization and some historical as Susan George ("The Lugano Report," a work of political fiction that has become a real bestseller), Agnès Bertrand and other iconic fighters of the movement. George is vice president of Attac-France and American political scientist with a passport and residence in France.

The strengthening of the institutions must also occur worldwide. Tobin himself has recently stated that the IMF has to be expanded and strengthened: "Like the World Bank, the IMF has too few funds to help poor and underdeveloped countries", said Tobin. The IMF should devise measures of anticipation and monitoring of the damage caused by spasmodic movements of short-term capital. They should act more coherently. For example, if the WTO promotes free trade, should not accept trade barriers justified for social reasons. The fight against child labor, for example, should not be based on trade retaliation but greater intervention of the International Labour Organization (ILO) or the World Health Organization (WHO).

Europe began to debate, formally, the opportunity to introduce the tax on financial transactions referred to in the capital markets. French Prime Minister, Socialist Lionel Jospin, was the first politician to launch the issue with other European governments in the light of the dramatic acts of violence occurred in Genoa during the summit of major industrialized countries that make up the G -8. However, Tobin himself is skeptical about the viability of the project, calling for an effective global agreement between countries. "I'm afraid there is no chance of success, because the people instrumental in the international financial world are against us", was Tobin's own estimate.

Indeed, within the various EU member countries there were many disagreements on the implementation of the above fee. In particular, German Finance Minister Hans Heichel, confessed to having "strong doubts" about a European initiative in this regard. In this regard, his French counterpart, Laurent Fabius, proposed an

alternative solution and "more practical" one at that. To apply a tax on arms sales, this proposal was denounced by Attac as a "red herring." In turn, the secretary general of the United Nations, Kofi Annan, was in favor of implementing a tax on carbon dioxide emissions (CO₂) into the atmosphere. "There are a number of ideas on the table", said Fabius. And, one might add, a number of problems to solve as well.

German Chancellor Gerhard Schroeder proposed, like Jospin, a certain "return policy" to the design of the financial architecture, but rejects the Tobin tax because he considered that "there are legal and content reasons, as well as political problems, to carry it into practice". In the same vein, the Spanish Foreign Minister Josep Piqué (member of Popular Party), said that "given the right circumstances for you to think seriously about implementing a rate like this." Professor Rudi Dornbusch of the Massachusetts Institute of Technology, its application provides a critical and Robert Mundell, Nobel Economics Prize, considered even as a "silly" idea In favour of tax-or-study has ruled the government of Finland, the parliaments of Canada, the Balearic Islands and the Principality of Asturias and the Catalan city councils of Barcelona, Badalona, L'Hospitalet de Llobregat, Terrassa, Rubí and La Llagosta. They are also awaiting parliamentary debate motions PSOE, PSC- *Ciutadans pel Canvi* and *Iniciativa per Catalunya-Verds*.

The eighth element of False Dawn considers what could be done to correct the course. United States lacks the hegemonic power needed to make a universal free market a reality, even for a short time. But certainly, it has the power to veto a proposal to reform the global economy. So, while the U.S. remains delivered to the "Washington consensus" in regard to global laissez faire, there can be an effective and efficient reform of global markets. In this case, innovative approaches such as the "Tobin tax", which we have already discussed at length, will remain as a dead letter.



XII. A BLURRED FUTURE FOR EUROPEAN AGRICULTURE

1. The debatable “medical review” of the CAP

At the end of May 2008, the European Commission⁷² approved and presented its proposals in the framework of the “medical review” of the CAP. The day before, the ministers of agriculture of the member states, meeting in Brussels, had already pointed out a certain rejection of some of the “commissioner’s ideas. However, a week later, during the informal meeting of the Agricultural Council for the Slovenian presidency, a majority opposition could already be noted (the only clear exceptions were those of the delegations of the United Kingdom and Denmark), especially to the extent of increasing the compulsory modulation of direct aid. In other words, it will put its hand in the pockets of community farmers and ranchers, including Spaniards, by cutting the money they receive to fund the so-called "rural development policy"⁷³. This measure also provoked widespread criticism from the main Spanish agricultural organizations, which refuse any reduction in the amounts received for this concept. It was estimated that, as a whole, the beneficiaries of our country would no longer receive a total of about 1.3 billion Euros.

Negotiations have really begun in June 2008, although this process was not fully entered into until 1 July, when France, one of the most critical member states of Brussels theses, assumed the presidency of the Council of Ministers. In several areas, in addition to rejecting the cuts, it is clear that the European Commission's proposals have not taken into account the new situation in the world market for basic agri-food products, as there is no a battery of measures aimed at increasing its supply. On the other hand, both the European Parliament⁷⁴ and the European agricultural organizations called for the creation of strategic security reserves, which can be used in the event of an emergency, a measure which is not included at any time in the Brussels document. In short, it seems as if those responsible for preparing this set of proposals have not taken into account the new reality, something that often happens, with desperate frequency, in Brussels.

⁷² The European Commission is a politically independent institution that represents and defends the interests of the EU. It promotes the institutional system: it proposes legislation, policies and action programs and implements the decisions of the European Parliament and the Council of Ministers.

⁷³ The Community Rural Development policies enshrined in the CAP currently being implemented have their origins in the 1996 Cork Declaration; then on Agenda 2000; and tools, in the different community funds. In short, the aim of these policies is to make "rural areas a more attractive place to live and work, in a scenario where more and more diverse people of all ages can find a better life". Therefore, they want to reverse the processes of aging and depopulation, and they want to provide means so that they can develop, so that they adapt to the new economic circumstances and so that they are valued as they deserve by the set of the society.

⁷⁴ The European Parliament is the only directly elected body in the European Union. The 785 Members of Parliament - MEPs - represent European citizens. Parliamentarians are elected every five years by voters in the 27 Member States of the European Union, which currently number about 492 million people. Parliament is actively involved in draft legislation which has an impact on the daily lives of citizens: in the protection of the environment, consumer rights, equal opportunities, transport and the free movement of workers, capital, services and goods. Parliament is also responsible, with the Council of Ministers, for the annual budget of the European Union.

Agricultural organizations and cooperatives expressed their rejection of the European Commission's proposals, which, from their point of view, were not aimed at solving the problems that currently exist in the agricultural and food markets, characterized by sharp price increases in some sectors and serious supply difficulties in others.

It was emphasized that Brussels, with this proposal, was taking a further step in dismantling the CAP. Instead of responding efficiently to the food crisis, price instability or new energy demands, it increased new aid cuts and the phasing out of market regulation and management mechanisms.

The European Commission's plans to reform the CAP have been official since 20 May 2008. It does so through a mechanism that they have defined as the "Medical Review" but which is nothing more than a step towards dismantling what, until now, was the only truly common policy that existed within the EU. The ultimate consequence of this review is likely to be more like euthanasia than healing the sick.

In addition, the European Commission chose the worst possible time to move forward on its unfortunate and outdated idea of dismantling the Community's Agricultural Policy. In a context in which agriculture must respond to the important challenges that arise (food crisis, price instability, food security and new energy demands), the European Commission stubbornly chose to reaffirm its thesis that they have proven wrong in many cases and proposed, as a thaumaturgical solution, reduce funds for the agricultural budget, propose cuts in farmers' incomes and dismantle the mechanisms of regulation and market management.

The European Commissioner for Agriculture and Rural Development, Mariann Fischer Boel, once again missed a great opportunity to launch a firm and reassuring proposal, not only for the European agricultural sector, but for European society in general, understood as a whole. But far from that, he launched an inopportune and completely unfortunate proposal that garnered the unanimous rejection of European agricultural producers and the opposition of the majority of the ministers in the Council of Agriculture.

Analyzing the main aspects on which the official proposal of the European Commission on the "Medical Review of the CAP" focused, several consequences can be deduced: firstly, the Commission proposed a Medical Review that concealed a considerable reduction in the budget. In fact, the proposed measures would mean a reduction of 262 million euros in the agricultural budget in the 2010-2013 period alone. Likewise, the proposal ignored the necessary competitiveness of the sector. At a time when society demanded more food production from the agricultural sector, proposals that penalized the most competitive and best-organized farms were unfortunate and outdated. The proposals contained in the Commission document seemed to respond only to the obsession with budgetary control and the abandonment of common policies, always with their backs to the

situation that was being created in international markets, with serious mismatches between supply and demand, unbearable tensions in the prices of the means of production and raw materials in international markets, and the growing uncertainty about the future of the world food system.

The abolition of milk quotas, the elimination of the reserve possibility, the loss of specific aid and the elimination of the market management mechanisms proposed by the Commission were a complete mistake that made our agriculture lose its business, its rich variety, of crops and productions. And that contribute, in some way, to fulfil the objectives of the CAP established in the new Lisbon Treaty, signed on Thursday, December 13, 2007, namely: guarantee a fair standard of living for the agricultural population, stabilize markets, guarantee security of supply, provide consumers with supplies at reasonable prices and increase agricultural productivity. Therefore, it was an important issue to take these objectives into account when formulating the proposed revision of the CAP, so the Commission should work to ensure that the above objectives were met and to address active policies in increasing cost increases of production internationally that could seriously jeopardize food production to meet global needs.

Regarding the specific case of the fruit and vegetable subsector, of considerable importance in Mediterranean countries like ours, the proposal presented at that time not only did not solve the existing problems, but even aggravated them. Furthermore, the Commission did not intend to increase the financial profile in line with the enormous socio-economic importance of this subsector, nor was there a firm commitment to address the short-term and structural crises that traditionally affect it, which invades the use of funds operational. However, the worst measure is probably the one that was intended to be taken in the field of processing, which proposed a total decoupling that would not only lead to the abandonment of production in many crops, such as in the case of tomatoes, but would predictably drag a deep structural crisis of the market in fresh products such as citrus or peaches, as it has subsequently happened.

2. The current worrying situation

Europe's "forgetfulness" of the geostrategic nature of agriculture to ensure its citizens' security of food availability at reasonable prices (basic principles of the

Treaty of Rome⁷⁵) has negatively influenced its Common Agricultural Policy⁷⁶, making it more social, ecological and environmental but also less economical and at the same time less effective and efficient. The current dependence on commodities stems from the pre-existing combined ineffectiveness of the CAP and the EU Eurocrats who conceived and implemented it.

This situation is part of Spain's integration into the European Union and it was precisely this integration, with the consequent perception of European aid to farmers, which broke a certain pre-existing balance. The fall in the price of cereals was then justified by the receipt of these aids, so that the income of agricultural enterprises did not suffer from this short-term decline.

The replacement of market rules by a subsidy marked the beginning of the end of an economically viable and competitive agricultural sector. This perverse effect made up for the reality of the situation with well-known results: an unstoppable decline in the number of agricultural companies, the abandonment of the youngest in the sector due to the insecurity of the control system and an embarrassing dependence on subsidies. At the same time, the uprooting of fruit trees and vineyards, the removal of arable land, the practice of fallow⁷⁷, the slaughter of

⁷⁵Generally, the name "Treaty of Rome" (singular) is given to the founding treaty of the EEC, while the plural name refers to the remaining treaties. These treaties were signed in the city of Rome on March 25, 1957 by the Federal Republic of Germany, France, Italy and the three Benelux countries (Belgium, the Netherlands and Luxembourg). It entered into force on 1 January 1958. Together with the Treaty establishing the European Coal and Steel Community (ECSC), they form the three "constituent treaties" of the European Communities. The Treaty establishing the EEC is the main treaty signed in Rome, constituting the European Economic Community. Treaty that is still in force, with the Single European Act signed in 1986 the EEC became a European Community (EC). It is, together with the Treaty on European Union, one of the two fundamental texts of the European institutions. This treaty established the creation of a common market with a customs union, the progressive abolition of tariffs, the liberalization of markets as well as measures to protect European agriculture.

⁷⁶The last major reform of the CAP followed the guidelines set by the European Commission in Agenda 2000. This reform aims to continue with the reduction of intervention prices and the increase in direct aid received by farmers. In Agenda 2000, the European Commission attaches special importance to rural development policy and makes it the second pillar of the CAP. The CAP Reform Policy Agreement of June 2003 proposes new measures affecting rural development that could be implemented by Member States and regions that wish to do so in order to give more impetus to rural development. This agreement also states that the money released for the implementation of the proposed new measures will be used to promote rural development. Since 1962, the CAP has been financed by the Agricultural Guidance and Guarantee Fund (EAGGF) and, for certain structural actions in rural areas, the European Regional Development Fund (ERDF) has been used. In 1964, the EAGGF was divided into two sections: Guarantee and Guidance. The Guarantee section has been responsible for financing the costs arising from the policy of prices and markets, while the Guidance section has financed the structural actions and measures that directly affect the development of the rural world. Since the reform of Agenda 2000, however, things have changed substantially and many of the actions previously carried out by the Guidance section are now funded through the EAGGF-Guarantee. From 1992 onwards, the agricultural guideline covers not only market support measures, but also new accompanying measures or income support.

⁷⁷Cultivation system that consists of letting impoverished land rest year after year so that it can regain fertility through weathering. In traditional agriculture, it was customary to grow cereals, the main herb of the field, in fallow land, alternating wheat and barley with legumes. The most widespread and common model was the division of the hacienda into four parts, approximately of the same size, called "thirds" or "leaves". In the third, wheat was sown in the first year, devoting the greatest attention to it; in the second year, once the wheat was harvested, barley was sown, while in the third year it was cultivated, that is, it was left to rest, at which time the third became a true fallow, and the cattle grazed the grass that grew there.

livestock and the absolute bureaucratization of agriculture and livestock were encouraged. We have a sample of this in the numerous magazines and publications of the sector, in which it is hardly spoken of the means of production, or of the technical advances, but of burdensome and repetitive political or administrative questions, to the liking of the Eurocrats; by the way, here agroforestry engineers and veterinarians have lost much of their prominence. And when there have been large stocks of some products (the "swamps" of milk, the "mountains" of butter, the "rivers" of wine or oil ...) they have rushed to invent formidable mechanisms of destruction instead of bringing them to those countries of the world where people are still starving.

Otherwise, in many cases it is not true that there is a Community "overproduction" of some fruits and vegetables, when it is found that there are more and more imports from third countries (real tax and labor fraudsters internationally, as we understand from d 'Europe, at least) which are absorbed by the market, ignoring the principle of Community preference and without achieving the goal or *desideratum* of providing higher levels of income and wealth to third world exporting countries which should, in theory, be the beneficiaries of tariff disarmament policies. On the contrary, since the modern establishment of "globalization" or the "internationalization of the economy", from the 1990s onwards, the number of irregular boats that besiege the coasts of the European Mediterranean countries have multiplied extraordinarily, while the profits of large agri-food multinationals established in underdeveloped countries are growing.

Indeed, according to Monica Vargas Collazos, ODG⁷⁸ (11/06/2008), the free trade policies imposed by actors such as the WTO in the agricultural sector, by dismantling tariffs⁷⁹ and other protections that impoverished countries had, are also responsible for business concentration throughout the production chain. In fact, as Ian Angus⁸⁰ puts it, "the global food industry is not organized to feed the hungry, it is organized to generate profits for corporate agribusiness". And it works

Finally, in the fourth year, the third went to the wilderness and the farmers made sure that the grass they had was well used by the cattle before the month of January, when the work prior to the new sowing of wheat began. Recently, the EU has decreed the end of this practice in the face of shortages of agri-food products and rising cereal prices.

⁷⁸ This is the Debt and Globalization Observatory.

⁷⁹ Tax paid on imported goods to a state and in some cases certain exported goods. The first tariffs were intended to raise funds for the tax authorities. With the advent of industrialization, the application of the tariff responds more properly to the desire to protect domestic production from foreign competition than to obtaining tax resources. The tariff may be *specific* if it is calculated based on a physical property of the product (weight, volume, etc.); *ad valorem*, if calculated on the price, and *mixed*, if *ad valorem* and specific elements are involved. The specific tariff has the advantage of simplicity in its application, but has the disadvantage of not taking into account the evolution of prices. The application of the *ad valorem* tariff is more reasonable, but presents the difficulty of determining the price of the product. Tariff duties may be definitive or transitional, and mobile or fixed. There may be two or more rights for each commodity. The systematic introduction of the tariff in Spain began in the first third of the 19th century; all the tariffs that have existed, including those of 1892, 1906 and 1922 (called the *Cambó tariff*), have a markedly protectionist sign, and only the tariff of 1869 (called the *Figueroa tariff*) escapes this trend and, in a certain way, that of 1960.

⁸⁰ Ian Angus is the editor of *Climate and Capitalism*, an online newspaper specializing in the eco-socialist alternative to capitalism and environmental destruction. Also, editor of *Socialist Voice* (Canada).

admirably: in recent years, the growth in turnover and profits announced by major companies operating in the agro-industry is frankly extraordinary, which highlights those assertions.

The net profit of the American Cargill, in April 2008, increased by 86% compared to the previous year's figures, amounting to 653 million euros. Bunge sales grew by 70% and ADM sales by 64%. What is the degree of incidence of these companies that the food crisis does not seem to affect? They determine what will be produced, how it will be produced, define prices and select who will produce the food. For example, Cargill, ADM, ConAgra, Bunge and Dreyfus dominate more than 80% of world grain trade, while Monsanto is the leading commercial seed company and the fifth largest in the pesticides sector. In the specific case of soybeans, Bunge, ADM and Cargill control 75% of the world market and 80% of the processing industry in the European Union.

Paradoxically, the legitimization of the agricultural sector whereby it receives subsidies from the European budget has been the cause of erratic European agricultural policy and the forgetting of the geostrategic importance of the production of cereals and other agricultural products. At the same time that the agricultural subsidy was delegitimized, almost no one valued that this subsidy directly benefited the consumer, since the agri-food industry obtained raw materials at reasonable prices.

This beneficial social perception of agriculture, as well as the enthusiastic promotion of early retirement of farmers, has discouraged the incorporation of new business values and the consequences, long warned by some consultants, have now become a harsh reality.

The considerations set out above show Spain's dependence on cereals and some protein crops and that this burden weakens our economy and our strategic position in an area as sensitive as human food. Clearly, current CMOs and the CAP in general have failed in their basic objectives of maintaining decent incomes for producers (who do not currently offset their production costs), affordable prices for consumers (often multiplied by 20 or 30 times the price received by the farmer) and products with guarantees of traceability⁸¹, safety and respect for the environment.

Having denied in recent years a free market price for wheat, oil or grapes, has been a forgetfulness of the origins of Western civilization, an act of pride that Europe now pays for the lack of agricultural citizens, lack of production and of efficient and useable farmland. Being now forced to hastily sow the grains, the withdrawn lands and the SPAs⁸² of Europe, for lack of flour, is an unprecedented mess that

⁸¹ On the concept of "traceability", see the corresponding footnote in the previous chapter of this book.

⁸² SPAs are areas, designated by each of the Member States of the European Union within its territory, in order to protect the habitats of birds that have conservation problems at European level. There are six SPAs in Catalonia. Within them, all actions that could contaminate or deteriorate existing habitats must be avoided, as well as harming the bird species for which they were declared. SPAs will be part of the

goes back to stale biblical scenes from the time of Moses or those cool pharaohs of Egypt.

Hunger affects 850 million people worldwide and the increase in the price of food we suffer, in addition to aggravating their situation, makes another 100 million more at risk of malnutrition. To address this serious problem, an FAO Summit was held in early June 2008 in Rome, which ended with a disappointing result. The final declaration again included a commitment to halve the number of hungry people worldwide by 2015, but did not include concrete steps to do so. Countries were only asked to continue their efforts in the sacrosanct liberalization of world trade and to carefully study the role of biofuels in this escalation of food prices. Both proposals are incorrect, from our point of view. On the other hand, donations for food aid increased, since the existing funds have not reached the necessary level marked by the increase in prices.

The capabilities of our planet are already widely exploited and yet 900 million people are starving in the world. By 2050, there will be 3 billion more humans on the face of the Earth. Climate change is accelerating and the water problem is becoming more and more devastating. Faced with a shortage of fossil fuels, the post-oil stage has already begun. This will be one of the big problems of the future. And it turns out that agriculture in Europe is at the heart of the challenges of the 21st century. Agriculture is not something to be dismissed; agriculture is not just a tradition, an idyllic occupation, a fairy tale or an exotic story of grandparents. Agriculture does not represent the past; agriculture is at the heart of the challenges that the planet must overcome during the century in which we live.

There is something that is not understood. We cannot impose rules on our producers and, at the same time, allow products from countries where there is no traceability or minimum compliance with food or humanitarian standards to enter Europe. They are countries where social, fiscal and environmental dumping is systematically practiced. Countries where the work of women and children is not remunerated, nor are their rights to strike, holidays, retirements or collective bargaining agreements (even in some of them there are still slaves). Competition must be equal for all (and this, by the way, is a basic rule of the market economy). If our producers and our farmers have to adhere to certain regulations to ensure food security and compliance with fiscal, social and environmental obligations, we call for imports into Europe to be subject to the same requirements. If their products are not at the same level as ours, they should not be accepted into the European market for the slightest sense of justice and health.

We need young farmers, in huge numbers, year after year, to secure the future of our agriculture. Unfortunately, one in every two farmers who retire is not replaced.

NATURA 2000 network in the future, which is the network of protected natural areas in Europe. The regulations governing this type of space are contained in Directive 79/409 / EEC on the conservation of wild birds.

This is incompatible with a global demand for agricultural products that will grow over time.

If Europe renounces to defend its productive agriculture and food, if Europe renounces to protect health and environmental quality, when all other regions of the world defend and protect themselves, if Europe renounces action and is content to resign when the US House of Representatives approves the continuation of the current support mechanisms, what is the point of building an agrarian policy? We believe in competition and the market economy, but we also demand reciprocity and an end to naivety, which in the long run, repeatedly, becomes real stupidity.

And obviously environmental dumping, social dumping, fiscal dumping and, now, above all, monetary dumping cannot continue to be imposed on our agrarian companies, aged and decapitalized.

There were reports from various organizations on the increase in the price of the main agricultural raw materials and their possible future evolution. One of the most prominent was the one presented by the FAO (Food and Agriculture Organization of the United Nations) and the OECD (Organization for Economic Cooperation and Development), which estimated that the situation would not change much in the next decade. According to this report, the prices of agricultural products would remain at high levels during the second decade of the current century.

According to the forecasts of these two international reference organizations, in said decade the real prices of rice and sugar would be 10% higher than those registered in the first decade. In the case of wheat, the increase was estimated at 20%; in that of butter in 30%; in coarse grains and oilseeds also 30% and in vegetable oils the increase would be of the order, between both decades, of more than 50%.

Both institutions emphasized that the high price of food would continue to affect the poorest countries, as always. They pointed out that food aid was the best solution in the short term, although they believed that work should be done to improve the productivity of farms and make progress in opening markets.

3. The real causes of the problem

The related Community Communication examined the reasons behind the reluctant rise in food prices, both in the EU and internationally. The increase came after thirty years of declining farm prices. The latest data shows a decrease in the maximum prices of most goods experienced in early 2008. Among the structural triggers for the increase in food prices is a constant increase in the demand for both basic food and foods with higher added value, particularly in numerous emerging economies, led by China and India, as well as an overall growth in the world population, especially marked in those two great Asian countries.

Rising energy costs are having a strong effect on the price of food products, particularly by increasing the cost of inputs or inputs from farms, such as pesticides and nitrogen, phosphate and potassium fertilizers, the cost of which has increased 350% since 1999, as well as ever-increasing transportation costs. Growth in crop yields has slowed and new markets for agricultural products have emerged. Conjunctural factors include rather scarce harvests in various regions of the world, a historically low level of stocks, the depreciation of the US dollar and export restrictions for various traditional suppliers in the world market. Speculation has amplified the volatility of underlying prices.

Developing countries, which are net importers of food products, have been hit hardest, while net exporters have benefited broadly. While it is true that the rise in prices has not yet meant a widespread shortage of food products, it is no less true that this rise has caused, in the world's poorest, even greater poverty, malnutrition and vulnerability to new external disruptions. Since the early 1990s the neoliberal or ultraliberal policies of Margaret Thatcher (UK) and Ronald Reagan (USA) pushed for so-called “economic globalization” or “internationalization of the economy,” income and wealth differences between rich and poor countries have increased considerably⁸³.

The European food model, based on the production of high-quality food and with a level of safety incomparable to the rest of the world, is in danger if measures are not taken at Community level to prevent the dismantling of this system. Since the 1980s, the Community Agricultural Policy (CAP) has been obsessed with surpluses and, above all, with the costs of implementing market regularization instruments. The consequences of this biased view have been concretized in the implementation of stabilization mechanisms, the decoupling of aid, the gradual replacement of the price policy by an income policy and the consequent disincentive to production that we now suffer. In short, the European Union has reoriented its entire policy towards a containment of production and the liberalization of markets, so that it has left producers and consumers in the hands of the tensions generated in these same markets and has abandoned to his luck one of the fundamental principles that inspired the CAP: the guarantee of food supply. In addition, it has long since abandoned another guiding principle of the Union: that of Community preference based on the imposed and supposed advantages and benefits of trade globalization.

In this context, it is necessary to highlight the inconsistency of a European policy that imposes a tremendously demanding and enormously changing regulation on Community producers in order to achieve the highest quality and safety of food but, at the same time, authorizes the entry mass production of products from third countries that are not required to meet these stringent requirements. The consequences of this contradiction are currently suffering, and with particular virulence, in the case of livestock and compound feed, which see an increase in the

⁸³ *Vide* the book of J.M. FRANQUET: *¿Por qué los ricos son más ricos en los países pobres?*. Ed.: Littera-Books, S.L. Barcelona, 2002. Cap. V, page 84 and following.

price of raw materials and must bear a drastic reduction in their profit margins or losses, but also the other productive sectors have suffered, in recent years, the disastrous consequences of a wrong policy or regulations that are not suitable for their needs.

But we think that reflecting on the causes that have given rise to this local and global deficit is essential to balance the situation that arises from the obsessive fashion of misunderstood globalization, as it marginalizes local production with the aggravating, during the last years, to delegitimize agriculture for the budgetary cost of the CAP without taking into account that farmers were the least favored by subsidies. And all this with the European will to "**what others produce**"⁸⁴, duly made up by the socially recognized desire to help poor countries sell their products (of course, at low prices). This interested irresponsibility is, in part, the source of the production deficit and rising prices for agricultural products.

The main causes of the food deficit, objectively, are three:

- Increase in population and improvement in life expectancy.
- Changes in the consumption habits of more than 40% of the population (they eat more and better).
- In the last two decades cereal production is growing at a much slower pace than increasing demand, bringing back to life the old Malthusian theories⁸⁵ ("food production grows in arithmetic progression while the population does in geometric progression").

These are, in my view, the three fundamental elements that cause the grain deficit and the consequent rise in prices; something as simple as demand exceeds supply. In addition, among the causes that have led to this situation and those that may influence the supply and price of food in the future, we would highlight the following:

- The drought that has been suffered in some of the main cereal-producing regions of the world and, for the coming years, climate change, which may affect agricultural production.

⁸⁴ An expression that recalls that other one denounced by the Basque philosopher and writer Miguel de Unamuno (1864-1936) "what do they invent", which should be buried for good.

⁸⁵In 1798, the classical English economist Robert Thomas Malthus published his famous *Essay on the Principle of Population*. In it, he predicted that the population would grow faster than the food supply. He explained that the population grows in geometric progression, while food supply can only increase in arithmetic progression (this was a modelling to simplify the difficult process of estimating the resource base, and he chose it as an optimistic hypothesis which served as a limit in the technological situation of the time). He predicted that when there was not enough food for the population, a catastrophe would occur (something that was already happening, the limitation of population growth below its maximum potential, that is, doubling the population every 10-15 years, as it happens in Africa today, through misery, although, as he explained, he chooses the free growth limit by doubling the population every 25 years, a certainly conservative estimate, to maintain the validity of the approach). Malthus theorized that this catastrophe could only be avoided with contraception, abortions, and similar methods. As he said, the increase in population is limited by moral measures, vice and misery. Vice considered him a branch of misery, but he kept it to make a difference, as we must not forget that he was a clergyman.

- High oil prices, which increase production costs.
- Changes in diet in emerging countries, which increase meat consumption, as well as its sustained economic growth.
- Increased demand for biofuels.
- The entry of investment funds in the market of agricultural raw materials.

4. A proposal of solutions for the future. The new IIVFHF tax

In the first two cases of the causes mentioned above, it is quite difficult to act, as they come from vegetative growth and the desire of people to improve their quality of life.

Where we are obliged to take action is to solve the production deficit and where policies must be encouraged to increase production. Elementary economic theory teaches us that in order to lower prices in a competitive market, until the equilibrium price is reached, either supply increases or demand decreases. And that increase is only achieved with sensitivity and political realism and a lot of capacity for self-criticism since no one is discussing the grain deficit, so we must all work together in the same direction, away from environmental taboos, of market fundamentalism and prevention in the sense that we will need resources.

This is the direction that policy makers should choose, because as the first is the first, and the first is food and drink, and for that we need cereals and other agricultural products, and these are obtained from the 'effort of agricultural enterprises, the obvious consequence is that agricultural entrepreneurs should be encouraged to produce more and better.

Ideas and policies should be focused on achieving the improvement of the yield/surface equation to achieve "sustainable" development.

Productivity can only be improved with new seeds, with investment in irrigation and the dissemination of technologies, all in conjunction with an agricultural policy that encourages an effective and efficient agricultural business model and prioritizes the concentration of companies over the concentration of land. As it is clear that the solution is to produce more and better, we must avoid, both in Europe and in the rest of the world, to divert attention from what is a priority (produce) to ineffective issues for the resolution of the problem.

The food challenge, the environmental challenge and the energy challenge: These are the three challenges at the heart of agriculture, and they give us three reasons to trust in the future of our farmers and ranchers. This is what French President

Sarkozy said in September 2007, as part of the inauguration of an agricultural event held in Rennes⁸⁶.

For reasons of independence and food security, the supply of Europeans cannot depend on foreign countries, exposed by others to health crises or to climatic or geopolitical variations over which we have and will never have any control.

A new, development-oriented and food security-oriented trading system is needed. There is a lack of real solutions that give stability to food production and distribution, so that the global demand for healthy, adequate and accessible food can be met. The recent International Knowledge Assessment Report on Agricultural Science and Technology for Development (IAASTD), signed by 60 countries, states that modern agriculture has meant a significant increase in food production. But the benefits have been unevenly distributed, and at an ineligible price for small farmers, workers, rural communities and the environment". Aid should be geared towards a different model of agriculture that can meet the needs of a sustainably growing population.

We want our farmers to be able to live honestly on the prices of their produce and not on the subsidies that are graciously given to them. For the first time in fifty years, surprisingly, world prices are higher than European prices for numerous products.

An essential feature of agricultural policy in developed countries is the protection it offers to agricultural incomes. Until relatively recently, agricultural interventionism has mainly taken the form of market price support measures. In recent years we have witnessed numerous processes of agricultural policy reform that have led to notable changes in protection mechanisms. Until these reforms, support for the agricultural sector was provided through policies explicitly linked to production decisions (policies "coupled" with the level of production). Recent reforms have attempted to undo this relationship through the process known as "decoupling". The decoupling aims to increase the economic efficiency of policies while continuing to support agricultural incomes. Ideally, the decoupling process should create production conditions under which production decisions are made taking into account only market factors. Particularly, however, we do not like the concept of "decoupling", according to which it may well happen that the less you produce the more subsidies you receive, because a farmer is a producer who wants to receive a fair remuneration for his job well done, essential for the survival of the population, and not simply to receive assistance or social subsidy.

The CAP must be established on the basis of the incontrovertible and founding principle of Community preference, which covers renewed objectives, with precise instruments and an ambitious budget to achieve them. Community preference is

⁸⁶Rennes (in Breton Roazhon) is a city of France located in the region of Brittany and capital of the department Ille-et-Vilaine.

not an offensive expression nor does it have to be for anyone, much less for countries with which we maintain stable and profitable trade relations.

First of all, it is necessary -not right now- for our farmers to be able to make a living from their production and their work, through a real Community policy of stabilizing the markets.

Today we are told about an increase in the price of certain food prices for consumption, when prices for production have fallen for more than ten years. Can it be accepted that in almost 50 years, with agricultural prices divided by two, those of our food have only fallen by 14%? The surplus value must be found somewhere! The answer is that this situation cannot be accepted and that the State can intervene by applying some corrective mechanism, such as the implementation of a new tax that we propose here: the IIVFHF ("the Income Tax 'Increase in the Value of Fresh Fruits and Vegetables').

In fact, the prices perceived by the farmer are often below production costs. Commercial intermediaries are made with most of the added value of agricultural products, especially fresh fruits and vegetables. **In this regard, the implementation of a certain tax on the taxable event of the increase in the value of fresh fruit and vegetables (IIVFHF), with a similar tax philosophy, should be studied (we dare to launch the proposal here). Too, the well-known local "surplus-value" tax (IIVTNU) or to the capital gains of the Personal Income Tax (IRPF). The taxable person would be the last seller of the product (grocery store, supermarket...) and the tax base would be the difference between the selling price to the consumer and the price received by the farmer, corrected with the corresponding coefficients. The money raised by the competent administration should be used, in part, to set up a compensation fund for the producer in order to ensure that the production costs are covered and a reasonable profit or remuneration. In addition, this tax could have anti-inflationary effects, if good care was taken that its amount was not systematically transferred to the two weakest ends of the commercial chain that is: the producer and the final consumer.**

The following is a summary of the main considerations and alternatives to the European Commission's proposals, which we referred to earlier, in order to avoid the dismantling of the CAP:

- To achieve a greater political and financial commitment from the European Union to the CAP and reject, consequently, the proposals of the European Commission described as a "medical review", which are in practice a further step in the progressive unravelling of the CAP.
- The agricultural and livestock sectors must be treated in strategic sectors, as is the case of energy.

- It is essential to guarantee stability in the Common Agricultural Policy. It is impossible to face the future with a minimum of guarantees when every three years the guidelines of the CAP are modified.
- In order to meet the new challenges of the CAP, more budgetary resources should be provided.
- The Commission's tendency to eliminate intervention and management mechanisms is not acceptable, leading to a direct loss of food security and safety.
- The simplification of the Single Payment Scheme⁸⁷, through the implementation of a fixed unit payment per hectare at national or regional level, does not take into account the diversity in farm types and yields per hectare characteristic of some Member States, thereby helping to create inequalities in the payments received.

As an alternative to the Commission's approaches, it is proposed to complement the following policies:

1. Increase and strengthen market management measures; for all this it is proposed to open a serious process of debate in which the different possibilities are analyzed.
2. Redefine the current intervention mechanisms, so that the intervention price adjusts to the real conditions, thus allowing the product to be stored in the moments of least tension in the markets, and then use it when there is bullish tension.
3. Maintain minimum safety stocks in the agricultural sector, following the example of the hydrocarbon sector, which speaks of strategic stocks, keeping the consumption stored for a series of months.
4. Maintain specific aid to the different sectors. It is necessary to apply the old principle of subsidiarity to each of the States so that, taking into account its own reality, which it knows like no other, it establishes and defines the different degrees of decoupling of aid and the sectors it affects.
5. Carry out an active European policy to combat the dramatic increase in prices in the means of production, especially fertilizers or chemical fertilizers and phytosanitary products (insecticides, acaricides, fungicides, herbicides, nematicides...) that can leave many farms out of the market.

⁸⁷The year 2007 was the first time that the processing of aid was done through the Single Payment, a new scheme consisting of an annual payment that is determined by the rights assigned to farmers based on the situation of each farm during the reference period 2000-2002.

6. Create an additional budget: the new challenges of the CAP (climate change⁸⁸, water management, biodiversity⁸⁹, energy crops⁹⁰...) must be accompanied by new budgetary mechanisms.
7. Modify the current withdrawal mechanism which could be replaced by an innovative procedure, the so-called "cost insurance", which guarantees the recovery of production costs when the prices received are below these costs. This insurance should be compulsory for the farmer, taken out through the takeover bids and financed, in whole or in part, by the CMOs themselves.
8. Develop a law of commercial margins along the food chain with the implementation of codes of good commercial practice, which self-regulate the relationships between all levels, from origin to destination, with the explicit recognition of commercial practices correct and fair.
9. Promote the differentiation of the state product from third countries by labeling with mention of origin.
10. Carry out effective control of imports from third countries, with the possibility of staggering import quotas and implementing measures to prevent unfair competition from those countries.

Public aid must be linked to production, in order to ensure the maintenance of agricultural activity, while the decoupling that is being imposed encourages the abandonment and loss of specific aid. It is necessary to reject the increase in modulation, the increase in milk quotas, the homogenization of the single payment and, in general, a whole "radical neoliberalizing" policy that involves the elimination of the classic mechanisms of market regulation and management.

⁸⁸In the atmosphere that surrounds our planet, there are a number of gases (especially water vapor and carbon dioxide or carbon dioxide) that have a greenhouse effect, that is, they absorb and re-emit infrared radiation. In this way, they prevent some of this radiation from escaping from the earth and contribute to the average temperature of the planet's surface air being about 15°C, a temperature suitable for life. The greenhouse effect is therefore a natural phenomenon of the atmosphere. The current problem is that the amount of these greenhouse gases in the atmosphere has increased and that greenhouse gases that are not naturally present in the atmosphere have been dumped. This **climate change** is admitted to endanger the composition, resilience and productivity of natural ecosystems and the very economic and social development, health and well-being of mankind.

⁸⁹**Biodiversity** is an ecological term that refers to both the diversity of species and the number of individuals in each, so we can talk about high biodiversity when there are as many specimens of as many different species as possible. In the case of Antarctica, for example, a feature of wildlife is relative poverty in species, but also great wealth in individuals, at least until we consider the impact of man on that extraordinary natural environment.

⁹⁰**Energy crops** are those that are mainly used in the production of biofuel and thermal and electrical energy produced from biomass. Connected aid of 45 Euros per hectare per year will be granted to areas planted with energy crops, provided that the maximum guaranteed area is not exceeded (1,500,000 hectares in the European Union); in this case, the aid will be reduced proportionately during the corresponding year. For the collection of the aid, which can be complemented by the aid for herbaceous crops, it is necessary to have a contract between the farmer and the processing company, unless the processing is carried out by the producer himself. Areas that have been the subject of an application for the energy crop scheme may not be counted as production withdrawals.

These obsolete proposals will not meet the objectives set by the CAP, namely: ensuring a fair standard of living for the agricultural population, stabilizing markets and ensuring security of supply for the population at reasonable prices.

The Confederation of Agricultural Cooperatives of Spain (CCAE) estimates that the elimination of market intervention mechanisms and greater deregulation will accentuate the problems of price volatility. This will lead to greater insecurity in the investments of producers and their cooperatives, making the business unviable and discouraging production. From his point of view, market management instruments should be established to deal with both the crisis of scarcity and short-term surpluses, and producer groups should be encouraged to strengthen the sector in the face of commercial distribution.

Finally, from the point of view of its application over time, the measures we propose are as follows:

- 1) **Short-term:** review of the state of the common agricultural policy and supervision of retail trade in the framework of the review of the single market in accordance with the principles of competition and the internal market.
- 2) **In the longer term:** launching initiatives that tend to increase the supply of agricultural products and ensure food security, especially the promotion of sustainable criteria in relation to biofuels and the development of new generations of biofuels in Europe and on an international scale in order to deal with the energy crisis and pollution, as well as the consolidation of research and the dissemination of knowledge in the agricultural sector, especially in developing countries.
- 3) **At all times:** promoting initiatives that tend to contribute to the global effort to address the effects of rising prices on the poorest populations, in particular the following: a better coordinated international response to the food crisis, in particular within the framework of the UN and the G-8; faster response to immediate humanitarian needs; development aid for longer-term projects aimed at revitalizing agriculture in developing countries.

5. And now, what?

On 21 November 2008, EU Agriculture Ministers approved the new revision of the CAP. At the subsequent meeting in January 2009, the same dignitaries finally approved the regulations that reflect the changes introduced in the Common Agricultural Policy. Although this time it has not had the intensity of previous occasions, the set of measures represents a new step in the line of progressive and ruthless dismantling of agricultural production that the European Commission has long been enthusiastically promoting. We find some Rural Development Plans (PDR) where the philosophy of aid and subsidy to "die well" or a "dignified death"

has prevailed, where almost the only thing that has really mattered is the creation of structures. so-called “advice” that become a “necessary remorse” in order to access diminishing community funds prior to the formalization of a lengthy collection of bureaucratic procedures, computer programs, conditionalities, exemptions, cuts, modulations and prohibitions. Otherwise, it has not acted in such a way that the important thing is not to act as guarantors of the subsidy but as real catalysts for the necessary investments and reforms.

The year 2009 began with a cut in aid through modulation, which continued in the coming years until reaching 10% in total in 2012, compared to the 5% that was initially applied. This meant a reduction of around 160 million euros that did not go into the pockets of farmers and agricultural workers every year and was used to finance the so-called "rural development policy". Furthermore, farm owners who receive more than € 300,000 in direct aid suffered additional cuts of 4%. Aid of less than one hundred Euros or for areas of less than one hectare was not granted.

The end result, unfortunately, leaves no room for doubt. The expected impact on farms has been severe. The consumption contractions inherent in the economic crisis have ended up pushing consumers towards cheaper and lower quality products, which come from abroad with dubious customs controls and the immense moral shame of their fiscal, social and environmental dumping.

The general economic crisis of 2008 also severely affected European agriculture. If the old Europe sleeps its ears and eyes, if it renounces the anathematization of protectionism and tariffs, if it does not work resolutely in the right direction and abandons the old and withered axioms of market fundamentalism and economic ultra-liberalism, it will seriously shake its own wellness model. The agricultural sector is already affected and very soon, almost without warning, there will be very little aid available to the primary sector of the economy. This, together with the general fall in agricultural prices perceived by the producer and the inexorable and unfair increase in consumer prices, will lead to unexpected situations that have never been seen before.

However, we must be optimistic and think that it is also possible that, in the relatively near future, the globalization of economic and financial activities, and particularly of world trade in agri-food products, is based on democratic bases and controls and is inspired by the basic principles of solidarity, equality and social justice, not like now. As it is also possible that from the interested and fallacious dream of economic globalization, which today seems to carry the long and impetuous wind of modernity behind it, very little remains in the future. Especially when people and their leaders realize where it is taking us and who is really benefiting from this absurd situation.



XIII. A RELEVANT EXAMPLE: THE SITUATION OF SPANISH NUTS TO THE WORLD TRADE

We have chosen, such as clarifying example, a Spanish agricultural subsector seriously threatened by economic globalization we are trying, especially in two of its major productions: the almond and hazelnut. In the first case, the problem lies in U.S. production in the latter, the problem is represented by the Turkish production of the delicious dried fruit. Then briefly discuss both cases, as well as some more.

Basically, this situation is determined by the following characteristics⁹¹:

a) The entry of Spain into the European Economic Community led to the phasing out of tariff barriers that protected until then Spanish hazelnut production from unfair competition from a country, Turkey, which has a very different socio-economic status quo to ours. And yet we must acknowledge the policy of withdrawal of Turkish hazelnut oil extraction, which enable Fiscobirlik (the large state cooperative) placed on the market in 2000 the hazel to 3.3 U.S. \$/kg (i.e., 1.15 €/kg in shell or a 3.79 €/kg As grain).

b) The European Union, which is the largest market for U.S. exports of almonds and other nuts, agreed under the Uruguay Round of GATT a 50% reduction in the customs tariff for grain and almonds walnuts, and 36% for walnuts, toasted almonds and toasted pistachios. The initial tariff was set at 7% for almonds, grain, and 8% for walnuts, in July 2000, end of period agreed tariff reduction, reached 3.5% (with a contingent of 90,000 tons at the rate of 2%, as we shall see) and 4% respectively. Bitter Almonds have zero tariff.

c) The process of enlargement of the EU-12 EU-15 implied an increase of 45,000 tons to 90,000 tons consolidated almonds quota with 2% reduced tariff.

d) Hazel (beans and nuts) was based on a tariff of 4%, remembering a 20% reduction in six instalments. In July 2000 already stood at 3.2%. In the case of Turkey there is a bilateral agreement on the Turkish source hazel pay only 3% of tariff from January 1, 1999.

e) South Korea has reduced its tariffs on almonds in shell from 50% to 21% and 50% to 30% for nuts.

f) Thailand going to halve tariffs on imports of nuts and toasted almonds. In 1996, California exports to Thailand of nuts were higher by 177% to 1990.

g) Malaysia also will reduce its prices for almonds, walnuts, hazelnuts, chestnuts and pistachios for just over 5% to 0%. The fee for the roasted nuts will be reduced

⁹¹See the book *Frutos de Cáscara y Algarroba: un sector amenazado (documento de reflexión)*, edited by AEOFRUSE and CCAE. Andalucía, Spain, 1999.

from 30% to 20%. Exports of nuts from the U.S. to Malaysia have grown by 311% since 1990.

h) In 1992, India removed all quantitative restrictions on imports of almonds. In 1997, agreed to meet its WTO commitments and to abolish the ad valorem component in their tariffs. In 1996, it has become the twelfth customer for California almonds.

In view of what lies ahead, we may export-oriented traditional Spanish sector of nuts and presence in the international market for some products appreciated by certain processing industries and consumers for their excellent qualities, clearly differential would disappear forever, not adequately compensated the imbalances created by international trade with aid per unit area. It is possible that the world market remained in the hands of one supplier (the U.S. in the case of almonds, given that Spain is the second largest producer, as well as nuts and Turkey in the hazelnut), in a situation factual monopoly, which will probably mean an increase in international prices, as demonstrated in the case of almonds, in studies conducted by ALSTON, JM, Sexton, RJ and others (1993), and certainly, a greater dependency status of the European Union, strong and increasingly deficient in these products.

The crop of nuts is the result of an activity held for centuries in our country, so that the trees that produce them are integral and inseparable part of the ecosystem, landscape and culture of its people. It also has a great economic and social advantage for large parts of the Mediterranean area and the interior of the Iberian Peninsula. About 40,000 families live in economic activity generated by the sector in Spain and more than 200,000 holdings are supplemented by revenue from nuts. But these farms are disappearing in the medium term if the EU persists in the intention not to renew financial assistance to the sector.

In 1989, the Commission introduced a series of specific measures to support the instruments of production and marketing in the sector. These measures should be temporary and limited to a period of 10 years. In this regard, an application for the CCAE (Confederation of Agricultural Cooperatives of Spain), in which the industry agrees, that EU aid to these products is granted by the CMO (Common Market Organization) Fruit and Vegetables as associations and agricultural organizations are in favor of extending automatically each year go Plans Quality Improvement and Marketing managed by producer organizations (Organizations Fruit and Vegetable Producers), who have offered, indeed, excellent results and have already been completed in some cases. And this until the comprehensive reform of the CMO is addressed, where the producers requested to have a specific section.

Later, the European Commission provided for a maximum amount per hectare of 241'5 Euros, of which 75% will be financed by the European Union and 25% by the Member States. Thus, the EU contribution is reduced from 82% to 75% and

the Member State increases consecutively from 18% to 25%. This is the same as, ten years ago, where the producers, which means, only because of inflation in the period, a reduction of 50% of revenues for this purpose. Moreover, the figure mentioned is to subtract the deductions that apply OPFH that in some cases also have been unfair.

The sector clustered CCAE believes that this proposed regulation does not stop to resolve the difficult situation facing the industry. First, at no point linking the extension of Improvement Plans to the approval of a final scheme for these products, this point has been one of the main demands of CCAE, because for the next season, will begin to suffer from the insecurity that it has suffered in recent years, left the field again with the uncertainty of whether you have support or not final.

The total budgetary contribution of the EU to the measures rises to €54.3 million. Fortunately, the agriculture commissioner Franz Fischler has pointed out, regarding the new proposal from the Commission that “the extension of a year shows the interest of the Commission by the sector and shows that it is aware of the environmental role, social and rural nuts play in Europe”. He added that they were examining all aspects of the area of nuts with a view to a permanent solution for producers.

Finally, to address the plight of hazelnuts, additional assistance of 15 €/100 kg was agreed for this production for a year, but on condition that only eligible for the same producer organizations that not eligible for the extension of Improvement Plans. Such stinginess has, at present, a great significance, given the adverse market conditions are allowing the existence of extremely low prices for these crops, fruit, largely on massive imports of Turkish hazelnuts.

This gives the feeling that Brussels, slowly but surely will sink, leaving the sector without establishing a necessary strategy for the future, which today, can only come by studying in depth all aspects of the problem. Hopefully, from there, to value the convenience of regular imports from third countries, to establish rules governing the internal market, to define a strategy for the quality of these products and to determine, in short, a real and helpful income for farmers.



XIV. THE PUBLIC DEBT CRISIS (2007-2016) AND THE ONE CREATED AS A CONSEQUENCE OF COVID-19 (2020)

1. Introduction

Since the outbreak of the economic crisis in 2007, both the comparative risk premium with German debt and the high interest rates to be paid have represented pressing and recurring problems for Spanish public debt that have been moderating and redirecting in recent times. The government requested, in the summer of 2012, the help of the European Central Bank (ECB) for the community rescue fund to inject money into the battered Spanish bank (especially the regional savings banks, affected by the collapse of the housing boom). However, the German position clashed head-on with the Spanish one, with Chancellor Angela Merkel and her followers clinging to the strict stability doctrine of the ECB, also reflected in the limitation to grant credits imposed by the Lisbon Treaty⁹² in its article 123.

Public debt or *sovereign debt* is understood as the set of debts that a State maintains vis-à-vis individuals or another country. It constitutes a way of obtaining financial resources by the State or any other public power, normally materialized by issuing securities. Public debt is defined as a financial instrument of a passive nature for the issuing public territorial entity, which seeks in national or foreign markets to raise funds under the promise of future payment or amortization and income fixed by an interest rate stipulated by the bonus at the time.

It also represents an instrument that States use to solve the problem of punctual lack of money, such as:

- When a minimum of cash (cash on hand) is needed to meet the most immediate payments (current expenses).
- When medium and long-term operations need to be financed, mainly real investments (capital expenditure).

There are different ways to finance a public deficit, at least in the short term. The most important is internal indebtedness. In this case, the Public Treasury issues bonds that are purchased by private agents, not the central bank. This form of

⁹² The **Lisbon Treaty**, signed by the representatives of all the member states of the European Union (EU) in Lisbon on December 13, 2007, is the one that replaces the *Constitution for Europe* after the failed constitutional treaty in 2004. With this treaty, the EU has its own legal personality to sign international agreements at community level. It was designed to improve the functioning of the European Union (EU) by amending the Treaty on European Union (Maastricht) and the Treaty establishing the European Community (Rome, 1957). Some of the most important reforms introduced by the Lisbon Treaty are the reduction of the possibilities of stagnation in the Council of the European Union through qualified majority voting, a stronger European Parliament by extending the joint decision procedure with the Council of the EU, the elimination of the three pillars of the European Union, and the creation of the figures of President of the European Council and High Representative of the Union for Foreign Affairs and Security Policy to provide greater coherence and continuity to the EU policies. The Lisbon Treaty also makes the Charter of Fundamental Rights of the European Union legally binding.

indebtedness allows the government to sustain a deficit without reducing its reserves or increasing the money supply⁹³.

Both the structural public deficit and the level of indebtedness constitute economic variables that are widely observed and valued by international financial analysts. They are sources of instability and mistrust in the markets as a consequence of the pernicious impact they have on the evolution of a country's economic policy and on a large number of variables and behavior of economic agents. Indeed: a) a high, systematic and permanent public deficit is a limitation to stable growth in the medium and long term, which exerts upward pressure on prices (inflation) and forces an increase in fiscal pressure limiting the growth of private activities that form the basis of the capitalist economy. In addition, its financing that also exerts upward pressure on interest rates, which hurts investment projects in the real economy, and b) orthodox financing of the deficit generates an expansion of public debt, with the consequent financial burden of paying interest, from which originates one of the most perverse economic phenomena by self-feeding the deficit of subsequent years.

Well, since the adoption of the euro up until 2013, Spain accumulated 666 billion euros in external deficits. In fact, we must go back to the mid-1980s of the last century to find the last trace of surpluses in Hispanic accounts. How could it be otherwise, the deficits have been financed with foreign capital, causing a considerable increase in liabilities to the rest of the world, for the most part, in the form of debt. This external position constitutes, at the moment, one of the key vulnerabilities of the Spanish economy as it raises many doubts about the solvency of the country and, at the same time, it requires continued and systematic access to international financing markets.

One aspect of particular importance for economic policy purposes is that of the term of the loan. In this sense, there are different types of debt securities or assets issued by the Public Treasury, namely:

- *Short-term debt*: it is issued every fifteen days under auction, with a maturity of less than one year and usually works as a kind of bill of exchange, in this case from the State. In Spain, short-term debt is represented by **Treasury Bills**. Said debt has been used to cover the State's treasury needs, that is, the so-called "cash deficits" that the general budgets of the State present temporarily.
- *Medium-term debt*: makes the mission of raising funds to finance ordinary expenses; In Spain, the **State Bonds** perform this role.

⁹³ The money supply is the amount of money in circulation in an economy. The money supply not only includes liquid or cash money (banknotes and coins in circulation), but also includes bank money. The money supply is measured from the monetary aggregates. The first monetary aggregate is M1, also called as the *money supply in the strict sense*, and is made up of currency in circulation plus demand deposits. The second monetary aggregate is M2, also called the *money supply in the broad sense*, and is made up of currency in circulation, demand deposits and savings deposits. The monetary aggregate used in the Monetary Union is M3, which additionally includes term deposits, as well as various other components.

- *Long-term debt*: it has the mission of financing extraordinary expenses with long profitability. Within the long term it can have a very varied duration and can even be of unlimited duration, leading to perpetual debt. In Spain it is represented by the **State Obligations**.

2. Debt: a problem with dangerous consequences

2.1. *The figures for Spanish, European and American public debt in the face of the 2007 crisis*

More than the absolute value of debt, an important index of the economic and financial viability of any State (as prescribed in the current Stability and Growth Pact of the European Union⁹⁴) is the relationship between public debt and the gross domestic product (GDP). The aforementioned relationship, in this case, represents a sufficiently significant index or parameter because it is considered that the State is capable of restoring its public debt, for example, through rates and/or taxes. It is also being considered, at a European level, that the basic condition to stabilize and subsequently reduce the relative volume of debt in terms of GDP is to cancel the primary deficit, that is, the current public deficit without considering interests. And this can only be achieved by freezing the growth of social spending.

As the spotlights shine a light on the European sovereign debt crisis, the United States has tried behind the scenes to establish a fiscal path to ensure the sustainability of its public debt. Although the actors in the drama are the same on both sides of the Atlantic Ocean, that is, the high deficit and the debt ratio, the commitment to growth in the United States sets out a quite different strategy from the paradigm of austerity prevailing in the old continent. The strength of the European script has managed, for the moment, to keep the American plot in the background. This, however, could soon gain an audience.

The United States closed 2011 with a deficit close to 10% and a gross debt that was dangerously close to 100% of GDP, according to estimates by the International Monetary Fund (IMF). In this regard, the debt held by the public must be distinguished “net public debt” from the total pending public debt or “gross public debt”; the difference is that gross debt includes funds held by the government, and we will refer to it in what follows. At the other extreme, Germany was trying to gently reduce its debt to around 81% despite having an estimated

⁹⁴ The Stability and Growth Pact (PEG) is a regulatory framework for the coordination of national fiscal policies within the Economic and Monetary Union (EMU). It was created in order to maintain sound public finances, which is undoubtedly an important requirement for the proper functioning of the EMU. The Pact has a preventive component and a deterrent component. As Europe's population is aging, as life expectancy increases and fewer children are born, EU Member States face the challenge of ensuring the long-term sustainability of public finances taking into account the consequences of population aging on budget. To overcome this challenge, and considering the importance given to long-term sustainability by the reform of the Pact carried out in 2005, long-term budget forecasts are established for the EU and the specific situation of each Member State is evaluated and controlled (a global analysis is contained in the sustainability report). The long-term sustainability of public finances is also taken into account when evaluating stability and convergence programs.

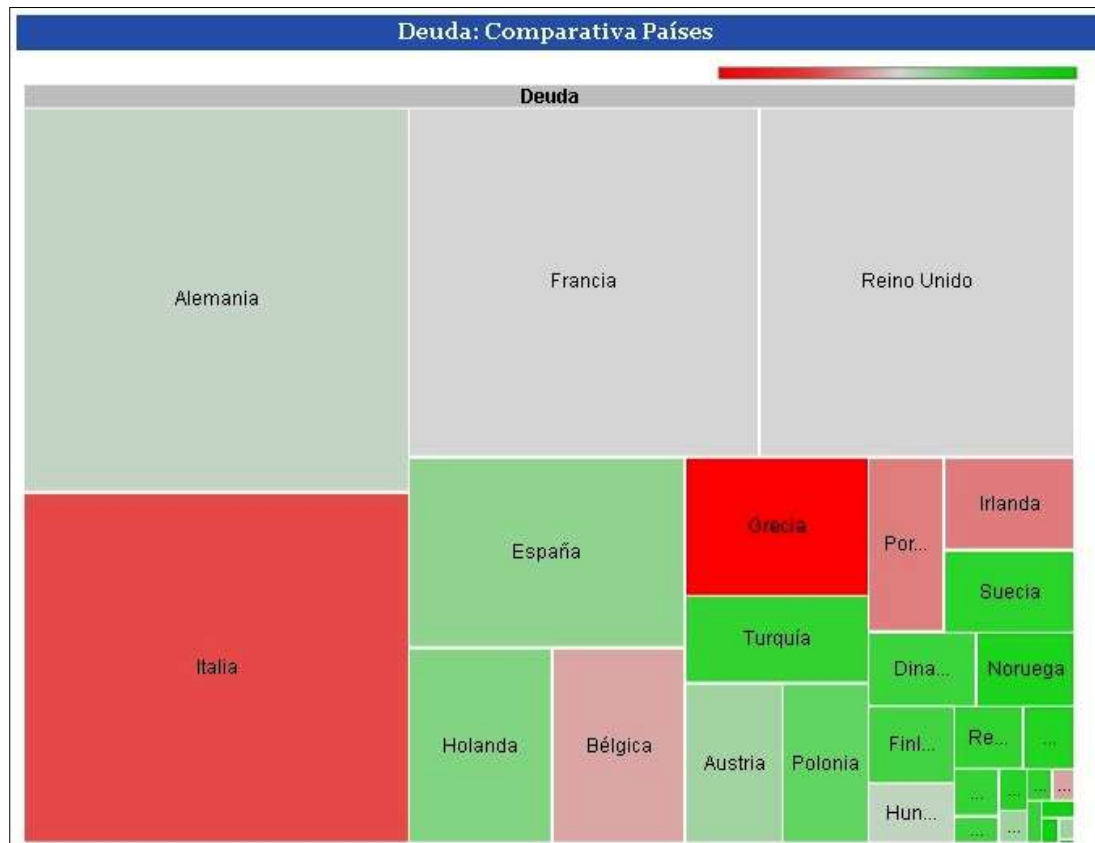
deficit of 1.7%. Meanwhile, in Spain, the government justified the adjustment programs after estimating the 2011 deficit at close to 8% and the gross debt at around 68.5% of GDP. Greece, Italy, Ireland and Portugal were the four European countries whose debt already exceeded 100% of GDP at that time. All this can be seen graphically in the following figures or tables:

Table no.: 4. European comparative debt.

Countries	Year	Millions €	% GDP
Spain	2011	734 961.00€	68.50%
Germany	2011	2 088 472.10€	81.20%
UK	2011	1 547 506.30€	85.70%
France	2011	1 717 256.00€	85.80%
Italy	2011	1 897 179.00€	120.10%
Portugal	2011	184 290.90€	107.80%
Austria	2011	217 398.70€	72.20%
Belgium	2011	361 735.30€	98.00%
Bulgaria	2011	6 285.60€	16.30%
Cyprus	2011	12 720.00€	71.60%
Czech Republic	2011	60 798.00€	41.20%
Denmark	2011	111 766.00€	46.50%
Estonia	2011	965.20€	6.00%
Finland	2011	93 030.00€	48.60%
Greece	2011	355 617.00€	165.30%
Croatia	2009	16 089.10€	35.30%
Hungary	2011	72 134.10€	80.60%
Ireland	2011	169 264.00€	108.20%
Iceland	2011	10 139.80€	98.80%
Lithuania	2011	11 827.20€	38.50%
Luxembourg	2011	7 785.90€	18.20%
Latvia	2011	8 617.80€	42.60%
Malt	2011	4 600.30€	72.00%
Holland	2011	392 506.00€	65.20%
Norway	2011	101 532.60€	29.00%
Poland	2011	192 671.90€	56.30%
Romania	2011	44 607.30€	33.30%
Sweden	2011	150 483.60€	38.40%
Slovenia	2011	16 954.40€	47.60%
Slovakia	2011	29 911.30€	43.30%
Turkey	2010	225 105.80€	42.40%

SOURCE: datosmacro.com

Table no.: 5. Comparison of debt by country.



SOURCE: datasmacro.com

The American script or roadmap sought to use debt to articulate an expansive policy with which to return to the long-awaited path of growth. This would allow paying future interest on the debt. In Europe, the strategy has been exactly the opposite: reduce the deficit and control the debt, so that the economy, once free of burdens and taxes, grows again. At this point it is worth asking: which of the two alternatives will be the most effective?

The level of public debt in Spain increased to 72.1% in the first quarter of 2012, but was still below the European average, which climbed to 83.4% in the same period, according to data from Eurostat⁹⁵ collected by the Institute for Economic Studies (IEE) of Spain. Although the debt was below the European average, the IEE believed that, in the Spanish case, it should not be forgotten that at this level of debt we must add the debt of households and non-financial companies, giving rise to the to a worrying global debt situation. Furthermore, most of the Spanish public debt was in foreign hands. And so, it continues, by the way, today.

⁹⁵ The **Eurostat** (Statistical Office of the European Communities) is the statistical office of the European Commission, which produces data on the European Union and promotes the harmonization of statistical methods in the member states. Two of its particularly important roles are the production of macro-economic data that supports the decisions of the European Central Bank in its monetary policy for the euro, and its regional data and classification (NUTS) that guide the structural policies of the European Union. Eurostat is one of the Directorates-General of the European Union and is based in Luxembourg.

In fact, the debt of public administrations as a whole chained, at that time, more than four years on the rise, since it had been increasing since the first quarter of 2008, and reached a new record in June 2012 by adding 804,388 million euros, which was equivalent to 75.9% of GDP. According to the data published by the Bank of Spain that we have, the main increase occurred in the debt of the central administration, which increased by 4.4%, reaching € 617,504 million, which represented 58.3% of GDP.

At the end of 2015, these figures continued their inexorable increase. In the month of July 2015, it was 96.59% of GDP, and the debt per capita, which had decreased this month, was € 22,397. If we compare it with that of July 2014, we see that in one year, the debt grew in Spain by € 763 per inhabitant.

Public debt in Spain grew in the second quarter of 2015 by 7804 million Euros and stood at € 1,053,996 million. This figure assumed that the debt reached 99.50% of GDP in Spain, while in the previous quarter, first quarter of 2015, it was 98.00% of GDP.

If we compare the debt in Spain in the second quarter of 2015 with that of the same quarter of 2014, we see that the annual debt increased by 41,401 million euros. The debt per capita in Spain, in the second quarter of 2015, was € 22,696 per inhabitant. In the first quarter of 2015 it was 22,528 Euros, then there was a worrying increase in debt per inhabitant of 168 Euros. And so, it went on *in crescendo*.

Spain, in short, and according to annual debt data, is among the countries with the most debt in the world. As the Spanish Government justified at the time, "this behaviour is explained both by the increase in the need for indebtedness derived from the economic crisis", and by the impact of the allocations to the Fund for Orderly Bank Restructuring (FROB), the amortization of the electricity deficit (FADE), the item to finance payments to suppliers and the Spanish instalment of the loan granted to Greece by the European Financial Stability Fund (EFSF).

Regarding Europe and looking at the data for the first quarter of 2012, let's see that Greece is the country with the highest level of debt (132.4%), followed by Italy (123.3%) and Portugal (111.7%). In Ireland, the level of debt had increased slightly to 108.55%, while Belgium stood at 101.8%, France 89.2% and the United Kingdom 86.4%. In Germany, general government debt stood at 81.6%, while Hungary stayed at 79% and Malta and Cyprus stayed at close to 75%. Next came Austria (73.5%) and the aforementioned case of Spain (72.1%).

Still less than Spanish debt were the Netherlands (66.8%), Poland (56.1%), Finland (48.7%), Slovenia (47.7%), Slovakia (46.4%), Denmark (45.1%) and Latvia (44.6%). The countries with the lowest public debt, in terms of GDP, were the Czech Republic (43.9%), Lithuania (42.7%), Sweden (37.2%), Romania (36.3%), Luxembourg (20.9%), Bulgaria (16.7%) and Estonia (6.6%).

In the European Union, things were not much better. The five countries with the highest rates of public debt relative to GDP in the European Union were Greece, Italy, Portugal, Ireland and Cyprus (four of them have had to be rescued), with ratios of 175%, 132%, 124%, 123% and 114% respectively. The countries with the lowest ratio were Estonia, Bulgaria and Luxembourg, with public debt to GDP rates of 11%, 16% and 23% respectively.

A report by EAE Business School, referring to the 2014 financial year, made a comparison of the levels of public debt registered in the main European and American economies. While the Netherlands was the country with the lowest rate of public debt to GDP (74%), Venezuela was the Spanish-American economy with the highest rate (53%). In other words, the rate of public debt to GDP of the European economy with the lowest ratio was 1.39 times higher than the rate of public debt to GDP of the Spanish-American economy with the highest ratio.

On the other hand, in Spain, the maturities of the public sector debt for 2012 were in the order of 125,000 million Euros, among treasury bills, bonds and State obligations, according to the following calendar (only for bills and bonuses):

Table no.: 6. Calendar of maturities of the Spanish public debt in 2012.

YEAR 2012 (million Euros)	
MONTH	NOMINAL
January	8,600 €
February	14,300 €
March	6,500 €
April	22,100 €
May	5,700 €
June	5,700 €
July	7,300 €
August	7,400 €
September	5,800 €
October	26,300 €
November	2,600 €
December	2,200 €
TOTAL	114,500 €

SOURCE: J. Gispert in *Diari de Tarragona (Spain)*

The peremptory nature of striving to obtain the related liability caused some tensions when it came to capturing it, despite the fact that the ECB mediated and calmed the appetite of competitors (banks and the State), placing a sufficiently significant monetary mass on the market.

Putting things this way, it does not seem that the level of public indebtedness of our country reached then excessively alarming levels. Another very different thing would be private indebtedness, which we will not refer to here specifically for

understandable reasons of space. It is true that Spain has a significant private debt, but this debt will not be paid by the State, so the attack on the Spanish sovereign debt, which occurred then, was exclusively of a political-financial nature.

As usually happens in the vineyard of the Lord, the debt that drowns some enriches others. Germany has long been one of the few countries that benefits from placing securities at a negative rate, that is, the investor, instead of waiting for a higher return on their money, prefers to pay a negative income and thus insure capital. It is obvious that in the classic trinomial of the expected characteristics of a financial investment (Security, Economic Profitability, and Liquidity) the first condition is the one that prevails in these times. With this, the money was given away to Germany and, in order to compensate the loss, other countries such as Greece (and previously Spain, Portugal or Italy) were harassed to obtain more interest with the increase on their risk premiums and, incidentally, the Eurozone as a whole was under pressure.

2.2. *The “public debt problem”*

According to Professor Vicenç Navarro⁹⁶, professor of Political and Social Sciences at the Pompeu Fabra University, there is not full awareness in many progressive circles (nor, of course, in the most conservative ones) that the so-called "public debt problem" is an artificially created phenomenon to justify the dismantling of the welfare state. In fact, the vast majority of the growth in public debt in the USA (67%) was due to measures to support the military-industrial complex, banking, and higher incomes. However, none of the measures aimed at reducing public debt was aimed at changing these policies. Instead, an attempt was made to reduce public social spending, specifically Social Security and health services, and this despite the fact that Social Security (pensions mainly) had not contributed at all to the growth of public debt. The parallelism of this situation with the Spanish one was evident.

The problem of public debt has its origin in the rescue of banks and companies as a result of the real estate bubble that burst in the USA and soon after in our country. In order to finance these generous “gifts”, the states had to go into debt. Public debt in rich countries broke the 100% of GDP barrier in 2012 for the first time since the Second World War, with which the states of the developed world will owe more than their countries produce in a year, as recognized by the IMF itself.

The ECB President since November 2011, Mario Draghi, reiterated, at one point, that if Spain wanted its risk premium to relax, it would have to sign a new

⁹⁶Professor Vicenç Navarro López studied and graduated in Medicine and Surgery at the University of Barcelona in 1962. He studied Political Economy in Sweden and Public Policy at the London School of Economics, at Oxford and Edimburg. In 1965 Dr. Navarro was invited to join The Johns Hopkins University, in USA, where he obtained his PhD. in Public Social Policy in 1967 and has been a Professor holding Full Professorship in Public Policy and Political Studies since 1977. He was one of the founders of its Public Policy Program, one of the best known in USA. He has been an advisor to the United Nations, to some European and Latin American governments.

memorandum of understanding (MoU), similar to the one proposed to receive the check of up to 100 billion Euros to cover the holes within the national bank. And this implied surrendering to what was ordered from the IMF and the EU to pay, primarily, the creditors of the debt.

Incidentally, in the financial field, the IMF and the World Bank (WB) had always excelled in their very long efforts to contain economic crises, until they demonstrated, as of 2007, their notable inefficiency in the prevention and subsequent execution of said work. Right now, the game in that field is in the privileged place of the Presidency of the US Federal Reserve and that of the European Central Bank. For those institutions, which at some historical moment laid the foundations for the entry into force of economic globalization with the liberation of the markets, which went everywhere with their absurd recipes for the removal of subsidies for agriculture, food, medicines, etc., that prohibited privatizations, free trade and debt repayment, that led to financial speculation. Today its practical function is reduced to that of operating as a simple anti-crisis mechanism, with a restricted recipe book on austerities, suppression of investments, fiscal reforms, dismissal of private and public workers, and delay in the retirement age with greater conditionality, and health, salary and social cuts of all kinds.

However, the limitation of its operation is obvious. After a period when these institutions dealt only with the governments prone to the third world, they now have to deal with a massive mass opposition from developed countries. Meanwhile, as the crisis moved into the major economies, both the IMF and the World Bank gradually faded.

The EFSF⁹⁷ -the same that has already fully rescued Greece, Portugal and Ireland- has the ability to buy debt in the primary (when a country sells debt for the first time to investors) and secondary markets⁹⁸. Now, what type of debt will the EFSF buy? If they intervene in the secondary market, they will acquire the sovereign debt already issued by the State. In its formula as a buyer in the primary market, the fund could buy debt at auctions of any public administration (including the

⁹⁷ The European Financial Stability Fund (EFSF), (in English the European Financial Stability Facility, abbreviated EFSF), is a special legal entity approved by the 28 Member States of the European Union on May 9, 2010, whose main objective is to preserve the Financial stability in Europe through the offer of financial aid to euro area states that are in a situation of economic crisis. The Fund is headquartered in Luxembourg City, and the European Investment Bank offers treasury management services and administrative support through a service level contract. The German Klaus Regling was appointed first president of the entity in July 2010. The EFSF is authorized to borrow up to 440000 million Euros, of which, 25000 million were available after the rescue of Ireland and Portugal. A separate entity, the European Financial Stability Mechanism (EFSM), reporting to the European Commission and charged to the European Union budget as collateral, has the authority to raise up to € 60 billion.

⁹⁸ All Treasury Securities are traded on a highly active secondary market in which Letters, Bonds and Obligations already issued are exchanged, and in which the vast majority of financial intermediaries participate. This has an important advantage for the investor: it allows him to invest for terms other than the 6, 12 and 18 months of the Bills or the 3, 5, 10, 15 and 30 years of the Bonds and Obligations. For example, if the investor wants to invest at 4 months (a term that the Treasury does not currently issue), he could acquire a 6-month Letter that had been issued 2 months earlier.

autonomous communities and local authorities, for example). Although direct purchase at auctions is essentially designed to facilitate the return to the markets of a country that has been subject to a total bailout, Spain could also request that the EFSF act on the primary market. The interventions on the primary and the secondary would therefore be synergistic⁹⁹.

In any case, the truth is that the structure of the European Central Bank facilitates speculation. Indeed, the ECB can lend to private banks at an interest rate of 1% but surprisingly it cannot do so to States, which have to resort to private financial institutions through public debt and satisfy much higher interests, with the consequent benefits only for the latter. In this way, private banks can collect low-interest loans from the ECB and buy public debt at much higher interest¹⁰⁰ with the corresponding profit.

Unfortunately, the ECB did not buy public debt for long periods of time, a matter that was subsequently corrected. This is why Spanish and Italian risk premiums skyrocketed. As long as the ECB does not buy public debt from troubled countries, or adequate measures such as those proposed here are not taken, it will continue to be dangerously vulnerable to that speculation. That the ECB is the body that can do it. It turns out this way, because it is the only institution that can print money without any limit. It can, therefore, buy as much public debt as it wants or as it deems necessary.

⁹⁹ The EFSF can issue bonds or other debt instruments on the market with the support of the German Debt Management Office to raise funds necessary to provide loans to financially distressed Eurozone countries, recapitalization of banks or to purchase sovereign debt. Bond issues are backed by guarantees provided by euro area member states. The EFSF can be combined with loans of up to € 60 billion from the European Financial Stability Mechanism (MEEF) and up to € 250 billion from the International Monetary Fund to obtain financial security of up to € 750 billion. If no financial operations are carried out, the European Stability Mechanism (ESM) would close after three years, on June 30, 2013. However, the rescue fund was activated in 2011 to lend money to Ireland and Portugal, so the Fund will exist until your last obligation has been fully repaid.

¹⁰⁰ The main tasks of the European Central Bank are as follows: define and execute the monetary policy of the euro zone, direct foreign exchange operations, take care of the foreign reserves of the European System of Central Banks and promote the proper functioning of the infrastructure of the financial market. Furthermore, you have the exclusive right to authorize the issuance of euro banknotes. Member states can issue euro coins, but the amount must be authorized in advance by the ECB. Unlike the style of central banking in the United States, in which liquidity is presented to the economy through the purchase of Treasury bonds by the Federal Reserve Bank, the Eurosystem uses a different method in which there are over 1,500 eligible banks that can bid on short-term repurchase agreements ranging from two weeks to three months in duration. In effect, banks borrow cash and must repay it. Short periods of time over the life of the loan allow interest rates to adjust continuously. When the repurchase, securities expire, the banks participate again. An increase in the number of securities offered at the bond auction allows an increase in liquidity in the economy, while a decrease causes just the opposite effect. Contracts are made on the assets of the balance sheet of the European Central Bank and the resulting deposits in member banks are recorded as liabilities. In simple terms, the responsibility of the Central Bank is that of money, and an increase in deposits in member banks carried as a liability of the Central Bank, means that more money has been put into the economy.

2.3. *The all-powerful power of financial markets*

Lately, we have been talking about the "tyranny" of international capital flows in determining the prices of some financial assets that have a capacity to substantially influence the evolution of real economic variables and their capacity to "impose" economic policies on governments (formerly those of the third world; nowadays also those of the first).

The experience of the most recent years is a clear exponent of the above submission. In addition to the alteration of international financial relations after the collapse of the system established in Bretton Woods¹⁰¹, in the early 1970s, there has been a rapid expansion of private international financial markets as well as the elimination of restrictions on the movements of capital in industrialized countries that has favored their integration¹⁰². Precisely, this fact would have specifically sought the expansion of capital flows that, despite the strong external imbalances that took place during the previous crises of 1973-1975 and 1979-1980, have had their maximum development since 1982 and, more specifically, from the neoliberal policies of the Ronald Reagan-Margaret Thatcher tandem. The embodiment of this enormous growth in capital flows, even faster if we were to speak in gross terms, is a spectacular increase in the stock of international loans (net of the multiplier effect via deposits by the banking system). Another reflection of this expansion of capital flows is transactions in the currency markets.

3. **Proposal for a solution to the problem**

Interest payments on Spanish public debt reach a considerable and worrying volume. Neither the personnel costs nor the item for all the ministries together are equal to the bill that the Government plans to pay only for the interest on the public debt, which in 2015 already exceeded 100% of Gross Domestic Product for the

¹⁰¹ Until July 1, 1944, the American town of Bretton Woods, in New Hampshire, seemed oblivious to what was happening in a world ravaged by World War II. But that month, this small tourist enclave, located at the foot of the mountain range whose peaks recall the names of more than ten American presidents -among whom the imposing Mount Washington stands out- hosted a meeting that would link its name to the history of capitalism. To the Bretton Woods hotel it was not just the capitalist countries, but the supremacy of the USA would be evident from start to finish. From the choice of venue (relatively logical if you consider that the war was still far from ending in Europe) to the very agreements of the conference. The rest would be done by the Cold War, which gradually moved away from the agreements, understood as an international system of regulation of capitalism, to the countries where *real socialism* was practiced, relegating them behind the *iron curtain*. From the point of view of the agreements reached between the 44 participating countries - an amount that is not negligible considering that most of Asia and Africa were European colonies and that Europe was broken - the conference was a success for the United States. USA This country managed to impose its proposal, formulated by the economist Harry Dexter White, before the British initiative, whose paternity corresponded to the prestigious John Maynard Keynes.

¹⁰² The presence of foreign investors in the main domestic financial markets is a clear indicator of their degree of integration. Even more significant is the extreme rigidity with which this participation can vary (upward or downward) in very short periods of time. The change that has occurred in the nature of investors is highly symptomatic of the expressed integration. Progressively, the so-called "institutional investors" (pension funds, insurance companies...) whose portfolio diversification processes stimulate this increasing interrelation have acquired a determining role.

first time in more of a century. The General State Budgets (GSB) for that year anticipated a total of 35,490 million Euros for these financial expenses, 12% more than in 2014, which represented an average of almost 100 million Euros per day. The subsequent improvement in the markets, which drastically reduced the profitability required to put your money in Spanish bonds and bills, did not offset the increase in public liabilities in the presented accounts.

By financing the fiscal deficit with an increase in the internal debt, the date on which inflation will be unleashed is only postponed, that is, the resources are provided now, but it is a debt that will have to be paid inexorably in subsequent years. The payment of interest on a fiscal debt increases State expenses, further increasing the future deficit. The result may be higher inflation in the future, a problem that does not occur if the deficit is financed by issuing money from the beginning. In other words, borrowing today at high interest rates may temporarily put off inflation, but at the risk of incurring a higher inflation rate in the future.

There is an old and well-known maxim in economics, like so many others attributed to the great J. M. Keynes, which we could explain like this: "If you owe ten thousand dollars to your bank, you have a problem with your bank. If you owe ten million dollars, the bank has a problem with you". Well, in the case of our beloved country, which is slowly and imperceptibly recovering from a deep economic crisis and, above all, with a not inconsiderable foreign debt (public and, above all, private), its leaders could take good note of it. In my opinion, the so-called "markets", which buy us debt of all kinds, have with us a problem as much or more serious than the one that can be assumed in a reciprocal sense.

Without doubt, the first thing would be to clarify that the interest on debt securities is the price that Spain has to pay because someone buys its bonds. The price depends on how many bonds Spain is going to sell (the bond offer) and how many bond buyers there are (the bond demand). If there are many buyers of bonds the interest will be low because even offering little interest there will always be someone willing to buy that bond. If, on the contrary, buyers are scarce and Spain puts many bonds on the market, it is possible that there are not enough buyers and to attract more buyers, Spain must offer them more attractive conditions, that is, higher interest. It is simply the old rule of supply and demand.

This is how what happened in the past is explained, when the furious gale of the crisis hit the doors and windows of Spain with force. In Spanish public debt issues, few people were willing to buy at low rates, and so Spain was being forced to offer very high interest rates. And why were few people willing to buy Spanish bonds at low rates? That is because there were many people who thought that the State might not be able to return the money when the bond matured. Why did they think that? Because they had studied the amount of money that the State had to return in the coming months (see the previous table no. 3) and the income that it was generating and believed that the State's income might not have enough to satisfy all the amounts that it had to return to his creditors.

The markets focused their speculative attack on Spain because they considered that, at that time, it was the most vulnerable country in the Eurozone. If the markets continued to demand these high interest rates for a long time, the average cost of debt could soar above 5%, and in this case, experts considered that Spain would enter a critical situation, always taking into account the sustained recession¹⁰³ that had been dragging its battered economy.

Well, how long can countries suffering from speculation (especially those in the south of the Eurozone) endure this situation? Economics experts try to set limits that jeopardize the ability to repay. The alarms go off when the interest rate is at levels similar to those of the countries that in the past had to ask other countries for help in order to continue meeting their payment obligations. This in itself is not dangerous if it were a merely punctual or circumstantial event, but it is dangerous if interest rates are maintained at these levels for a long time.

If the interest is too high, a country can decide not to issue the debt, but in this case, how do we finance the existing gap between state income and expenses? We know (we have explained it before) that a country issues debt because it spends more than it enters. Since it does not have enough income to meet all its expenses, it asks someone for money to cover the expense; that someone buys the debt. That country may decide not to issue debt at a specific moment if it considers that the rates are too high, but if it suffers a considerable gap between income and expenses, at some point it will be forced to issue said debt, since otherwise it will not be able to pay the expenses that have been accrued.

Now, once the problem has been located and the situation analyzed, what follows is to try to find solutions. How to get out of this situation? How to build that missing trust? In short, how can we avoid that enrichment (in my opinion, illegal) that is taking place at the expense of certain countries?

Precisely for this reason, and wanting to punish usury and uncontrolled speculation, the Spanish and / or European monetary authorities could adopt simple measures that would put an end to such despicable wild speculative practices, apart from the usual introduction of the Tobin tax¹⁰⁴ on financial

¹⁰³Recession is understood as a significant fall in economic activity that occurs in the economy as a whole and for a sufficient number of months, and which is visible in terms of production, employment, real income, and other indicators. A recession is, in short, a general decrease or loss of economic activity in a given country or world area. This reduction in economic activity is measured through the decrease, in the year-on-year rate, of the real Gross Domestic Product, and it must occur in a generalized way during a significant period of time.

¹⁰⁴ It was precisely the anti-globalization movements that picked up the proposals dictated by the **Tobin Tax**, making it the symbol of the fight against free trade. However, the paradox lies in that recognition, which as **James Tobin** himself, Nobel Prize winner in Economics, commented, "*the loudest applause comes from the wrong side*". Putting ourselves in a situation, let us remember that in 1972, during a colloquium, this Keynesian university student, shortly after the administration of President Nixon will remove the United States from the **Bretton Woods** system, suggested a new system for international currency stability, imposing a penalty to them. The curious thing is that with which it has been falling in the financial markets, the Tobin rate has again become current as a tool to control those markets, which, driven by speculation, seek to incorporate controls on capital movements. In essence, when the concept

transactions, with the possible issuance of so-called "Eurobonds" or "euro letters", or the prohibition of "short" operations.

This set of measures practically comes down to two:

- 1) The "RULE 10" (affects debt interest rates): the sum of the interest rates on the debt that must be paid by any country in the euro area, both those that are contracted at any time in the Capital markets, such as those that expire through previous contracts, cannot under any circumstances exceed the 10% barrier. So, v. gr., if in the current 10-year State Obligations auction an interest of 6.5% has been achieved, only past-due interest of 3.5% could be paid regardless of the initially established contract, in whose clauses this possibility of variability of the type. This 10% cap could be modified depending on the class, term or nature of the debt title in question, as well as by general economic circumstances.
- 2) The "BALANCE RULE" of the debt flow (affects the principal or nominal debt): in reality, this rule establishes a correction to the previous rule in the event that, as a consequence of its application, you do not want to acquire any or not enough debt from the issuing country by the markets (although a determined policy of acquiring the public debt of the affected country, by the ECB, could also correct this situation that could arise in the future). It consists of limiting the payment of the principal of the debt, at all times, to the amount of contracting new debt. Thus, for example, if debt of a certain country were not placed in an auction, that country would not be obliged to repay the debt previously contracted and, in any case, the amount of said refund would always be limited by the volume of the debt simultaneously incurred in the markets. This solution seems better than that of allowing the common bank of the affected country to print its common currency to meet its debt, since this could mean breaking one of the golden rules for the single currency and the ECB (see footnote 101).

In order to implement these measures, the appropriate regulations¹⁰⁵ must be created by the monetary authority and ratified, where appropriate, by the European Parliament. Of course, they should never be applied with retroactive effects¹⁰⁶,

was defined, the **Tobin rate** consisted of a special tax on each of the speculative financial transactions (ITF) in foreign exchange operations.

¹⁰⁵The Community Regulations (Secondary Law) are mandatory community provisions for all Member States and are directly applicable to them as of their publication in the Official Gazette (DOCE) and entry into force. Through them, the European Union disciplines its own policies and organization.

¹⁰⁶ As a general rule, and specifically in the Spanish case, article 2.3 of the Civil Code establishes that "the laws shall not have retroactive effect if they do not provide otherwise", non-retroactivity that is also proclaimed by art. 9.3 of the Spanish Constitution in relation to sanctioning provisions that are not favourable or restrictive of individual rights. The principle of non-retroactivity is based on "the wishes of legal certainty and security and the respect of acquired rights and beneficial legal situations" (Supreme Court ruling of May 30, 1984), with the consequence that the interpretation of the rules of transitory law must be carried out in a restrictive sense and, therefore, without extending the legal terms to situations not covered.

although the new contracts that are formalized for the acquisition of public debt must, since then, contain the corresponding clauses. And in addition, its scope should be extended to all the countries of the euro area to avoid comparative grievances between them.

4. Public debt against the coronavirus COVID-19

When I wrote these lines (May 2020) the shock caused by the coronavirus pandemic for the global economy and financial markets begins to be, not just reminiscent of the 2007 crisis, but much worse. No one came into an economic recession specifically from the hand of a virus, but it is already enshrined in the "crystal ball" of economists as a safe option. The unknown in all forecasts is the variable time: longer duration, greater damage. Therefore, analysts are making a cautious approach based on different scenarios. In the worst of them, the coronavirus Covid-19 plunges the world GDP and leaves it immersed in a lasting recession with significant socio-economic repercussions.

Given this dark panorama, the European economy, and the Spanish in particular, as we will see, will suffer significantly, especially due to the blow to the tourism sector, which will represent more than 12% of our Gross Domestic Product (GDP). But almost no sector is safe from this pandemic. In addition, analysts do not rule out an L-shaped shock in which the world champions face a slow recovery phase after a catastrophic accident. We are, therefore, faced with the dreaded scenario of the economic recession. McKinsey's analysis¹⁰⁷ proposes that if it is shown that it is not seasonal, that is, that it is not affected by spring in the northern hemisphere, the economy will stop in its tracks.

In Spain, probably, we will have a difficult inheritance to erase: the highest public debt in the last 120 years, which makes us especially weak and defenceless in the face of what lies ahead. Spanish public debt will clearly exceed the 100% threshold over GDP for the third time since records began. This time it will not be like in 2014, when the three figures were surpassed by a hair (a few tenths) and for just a short period of time. On this occasion, the economic recession is much deeper, while the fiscal stimulus could also be higher, generating a malevolent combination (revenue collapse and more public spending) that raises public debt beyond 110%. If the Bank of Spain gives a range of between 110% and 122% of GDP, there are panels that speak of 130%. The IMF, benevolently, sets it at 113.4% in 2020 and 114.6% in 2021.

¹⁰⁷The McKinsey 7S Model is a framework for organizational effectiveness that postulates that there are seven internal factors of an organization that need to be aligned and reinforced in order for it to be successful. This Model is an organizational tool that assesses the wellbeing of seven internal factors of an organization as a means of determining whether a company has the structural support to be successful. The Model comprises a mix of hard elements, which are clear-cut and influenced by management, and soft elements, which are fuzzier and influenced by corporate culture. The 7S Model specifies seven factors that are classified as "hard" and "soft" elements. Hard elements are easily identified and influenced by management, while soft elements are fuzzier, more intangible and influenced by corporate culture.

Turning back to the painful economic history of Spain, the most negative milestone is in 1880, when the country's public debt was accounted for, according to IMF data, which began that year, at 161.72% of the GDP. The next peak in debt came, for its part, in 1902 with a figure equivalent to 123.61% of GDP at that time. It came from the times of the 'black legend' of Spanish debt.

With little room for manoeuvre to increase public spending and shore up the economy, Spain enters the coronavirus crisis in a very difficult fiscal position: it has one of the highest levels of deficit and public debt in the European Union. In the Spanish case, the public debt of 95.5% of GDP at the end of 2019, with a total of 1,188,893 million euros, is 1.32% more than a year earlier what had happened to 1,173,348 million euros, according to data published by the Bank of Spain, being the sixth highest in the EU. Only Greece (176.6%), Italy (134.8%), Portugal (117.7%), Belgium (98.6%) and France (98.1%) registered higher public debt.

Fear of a new debt crisis has prompted the Spanish government to propose to the EU the creation of a reconstruction fund endowed with 1.5 billion euros and based not on loans but on subsidies to the countries hardest hit by Covid-19, like Spain and Italy. This would involve making non-repayable transfers instead of repayable loans, which would exacerbate indebtedness.

Spain and many other countries will suffer great economic turbulence due to the coronavirus crisis. The announced debt data is the worst available since 1902. Those are the conclusions of the IMF after it was announced that GDP will fall by 8% this year 2020, a figure even worse than those set in the economic crisis of the year 2007.

The coronavirus pandemic has shattered forecasts and good omens for many economies. The Spanish Ministry of Economic Affairs indicates that the debt registers a year-on-year increase of 15,545 million euros. In relation to the Gross Domestic Product, it stands at 2.1 percentage points less than in 2018 (97.6%), although the final GDP figure for 2019 will not be known until later. If this data was confirmed, which would be the lowest ratio since 2012, Spain would have met its goal of ending 2019 with a debt of no more than 95.9% of GDP, something that according to Economic Affairs has been possible thanks to the "significant" drop in emissions net of the Treasury, investor confidence in the Spanish economy and efficiency in the administration's treasury management.

But 2020 presents itself with the darkest auguries for the Spanish and world economy, so the previous forecasts, as happens with worrying frequency in the economic field, should be kept in the dusty trunk of memories, and the need to find Solutions to the public debt crisis, such as those proposed in this article, are increasingly pressing.

5. Conclusions

Since the outbreak of the 2007 economic crisis, both the comparative risk premium with German debt and the high interest rates to be paid have represented pressing and recurring problems for the public debt of the southern Euro zone countries. The Greek situation of recent times has revealed, in all its harshness, the previous problem, which will now be exacerbated, worldwide, by the crisis of the coronavirus COVID-19 and the economic recession caused by this unsuspected pandemic.

The public debt problem has its origin in the need to give bail to the banks, savings banks, and other companies as a consequence of the real estate bubble that burst in the United States and afterwards in many other countries. In order to finance those “presents” some countries had to indebt themselves in excess. On the other side, the European Central Bank, during a long period of time did not buy public debt.

After a description of the state of the problem in some countries and its evolution over time, and with the purpose of safeguarding them from uncontrolled speculation, the proposal is made that the Spanish and/or European monetary authorities could adopt simple measures that would end such speculative practices. These measures can be divided into two: a) the “RULE OF 10”, which affects the interest rates of the debt and b) the “BALANCE RULE” of the debt flow, which affects the principal or nominal debt.

In order to implement these measures, the appropriate regulations must be created by the monetary authority and ratified, where appropriate, by the European Parliament. These regulations should not be applied retroactively, although the new contracts that are formalized for the acquisition of public debt must, from then on, contain the corresponding clauses. And in addition, its scope should be extended to all countries in the euro zone.



XV. GLOBALIZATION AND WATER

1. A misunderstood "water solidarity"

1.1. The constitutional concept of "solidarity"

The present chapter of this book will refer to the problems that are being raised around the world on this highly topical topic, although specifically referring to the Spanish case. If no preventive measures are taken in this regard, the "water wars" may be induced by the globalization process that could lead to the indiscriminate and capricious transfer of natural resources between the different areas of our planet, with the pernicious consequences for the environment and the socioeconomic stability of the directly affected territories that this would entail.

Recently, the concept of "water solidarity" has been manipulated as an ineffable justification for the transfer of river basins to be carried out from the river basin from the Ebro, in Spain, to the Catalan inland basins, as an extension of an existing transfer. We see that the Spanish Constitution of 1978, in article 45, alludes to the concept of solidarity when it says: "The public authorities will ensure the rational use of all natural resources, in order to protect and improve the quality of life and defend and restore the environment, based on the indispensable collective solidarity. Therefore, the Constitution itself declares (art. 128.1) that all the wealth of the country, in its different forms, and whatever its ownership, is subordinated to the general interest". From both statements, already the previous draft law of the National Hydrological Plan (PHN) of 1993 seemed to erroneously deduce the need for transfers to achieve equality of all citizens in their right to use the water. Thus, Article 131.1 of the Constitution states that "the State, by law, may plan general economic activity in order to meet collective needs, balance and harmonize regional development and stimulate the growth of income and wealth and their fairer distribution".

Eight years later, the PHN of 2001¹⁰⁸, happily repealed in its fundamental transfer aspects by the first government of Mr. Rodríguez Zapatero, who caused so much turmoil in his day, deduced the concept of water solidarity, namely, the equality of all citizens in their right to use and enjoy water, from the constitutional concept of collective solidarity. But it is not necessary to collect from the mentioned texts, at any moment that the achievement of a harmonious and balanced development of the territory must be achieved neither through the equitable distribution of water among all the citizens, nor even less endowing all areas of our country with the same accessibility to water resources. That is to say, the rational use of the natural

¹⁰⁸The last National Hydrological Plan, approved by Law 10/2001, of 5 July, set out the basic elements for coordinating the river basin hydrological plans, the solution for the possible alternatives that they offer, the forecast and the conditions of the transfers of hydraulic resources between territorial areas of different hydrological basin plans and the modifications that are foreseen in the planning of the use of the resource and that affect existing uses for the supply of populations and irrigation. It was subsequently amended by RD Law 2/2004 of 18 June and by Law 11/2005 of 22 June, which amends the aforementioned Law 10/2001.

resources does not imply, because from its use a balanced development is derived, that all the citizens use in equal amount the resources, but from their use they benefit, through a series of redistributive instruments of income and welfare, all citizens in a similar way.

From the constitutional text it would be deduced that the ultimate purpose of planning would be "economic solidarity" (not precisely "water solidarity") between regions and individuals, having to achieve this by rationally using natural resources and protecting and restoring the natural environment, as should be intended by the application of a well-crafted PHN.

In the early stages of economic development, the relationship between the increase in water supply and the increase in collective well-being is unavoidable. From this old and unquestionable principle, it follows that the policies that bear the most fruit in the Third World are those that manage to increase the quality and quantity of water consumed by its inhabitants. But the situation is very different in those countries which, like ours, have already reached high levels of economic development, and particularly in those in which domestic water consumption is usually at an acceptable level and even susceptible to reduce, as has happened in Barcelona and its metropolitan area in recent times. Then, the social benefits derived from expansive water policies may not be as obvious as in the past, as funds diverted to the construction of new water infrastructure may be deducted from other investments with greater marginal social benefit, as is likely to happen with the budgets of the CAT-ATLL network interconnection. In these countries, in short, it is much more credible to speak of *eco-development*, or *sustainable development*, than to continue to maintain obsolete theories of the second half of the twentieth century.

One fact that should make you think is that almost 80% of the water resources used in Spain are in irrigated agriculture; an activity that, despite its strategic importance for obtaining food, barely represents 2.5% of GNP, while less than 10% of water is involved in obtaining the rest of national income. One could thus speak not only of *dry* and *wet Spain*, but also of an *agricultural* and an *industrial Spain*, in relation to water consumption. The highest per capita consumption occurs, of course, in areas where irrigation is strongly established and the lowest, in those regions with greater industrial and service tradition, which are also those that achieve greater productivity per cubic meter of water consumed.

From this perspective, the aim of water policy should be, as can be deduced from the Spanish Constitution, to achieve water consumption in each region in accordance with its environmental conditions and the general economic situation, without intending to fall into the error / trap of making subsidized water supply an artificial instrument of redistribution of income and wealth to the areas that concentrate the highest incomes. If, moreover, it is intended that all citizens consume the same amount of water, which is more like the concept of *water communism* than that of *water solidarity* -in the misunderstood desire to

enforce the constitutional precept of water 'a balanced regional development-, would fall into the absurdity of defending an equitable distribution of an expensive and scarce resource, the water, which will not produce, alone, this dream solidarity.

1.2. The so-called "national hydraulic balance"

In recent times, there has been frequent talk of the desirability of achieving a certain "hydraulic balance" in our country, without having previously clarified the precise meaning of this concept. In this way, if we compare the volumes of water consumed in each of its seventeen river basins, we could obtain a very clear and illustrative image of the water imbalance in Spain, characterized by differences in consumption in each area and, therefore, by the perception that each citizen experiences of the possible deficit or abundance of the water resource in the basin where he lives.

Traditionally, water consumption is usually broken down according to whether the uses are domestic, industrial or agricultural. In percentage terms, agricultural consumption is the most important in our country and represents almost 80% of consumer demand, although its quantitative weight is very unequal between the different basins. That is why, in order to make this comparison, it has been considered convenient to exclude its industrial and agricultural uses, as these will better illustrate the use of water in its productive facet, but would mask the situation of family supply in each of the existing basins in our country.

The average water consumption in Spanish homes is 111 m³ per inhabitant per year (304 liters per day). This volume, as an indicator of the degree of satisfaction of people's water needs, is also very unevenly distributed throughout Spain. **Contrary to many people's beliefs, water basins have the least amount of water.** Basins such as the Júcar, the Segura, the Balearic Islands, the south or the inland basins of Catalonia, which are mainly those that can be potential recipients according to the National Hydrological Plan of 2001, have much higher per capita consumption to the state average, which, by the way, turns out to be more than enough to provide an optimal degree of well-being. It should be borne in mind that a consumption of 200/250 liters per day sufficiently satisfies the water needs of any person. And now compare this figure with the 408 liters/day consumed in the south or the 480 liters/day in the Balearic Islands. And, unfortunately, they are still asking for more water!

It is appreciated, then, that the image offered by the existing water imbalance in our country varies significantly according to the conceptual definition used in each case, namely: according to rainfall, according to resources (total and/or regulated) or well according to the consumption of each basin. More than exclusive, these definitions complement each other magnificently and offer the picture of an unequal Spain, both in water wealth and in the use and accessibility of this vital resource, but expensive and scarce. **If the first definitions seem to indicate that it is the basins of the Douro or the Ebro (in this case much more debatable according to the first definition) that should give water,**

instead, of analyzing the problem according to the last definition, they should evaluate the basins considered deficient to those that raised them to their present consumptions much upper to the ones of the rest of the Spaniards and achieve like this balance the consumption hydraulically. Water transfer policies, which find their maximum theoretical foundation in the first two definitions set out here, collapse sharply when analyzing the water imbalance according to the latter, and **seen as a whole offer the conclusion that there is no better hydraulic policy for Spain than the derivative of using, in the most rational way, the existing indigenous resources in each basin, since the resources of each one are, in general, more than surplus in order to offer an adequate degree of well-being to all its citizens, if applied autonomously.**

Well, the PHN-2001 Act sets out its general objectives, which could be summarized as follows: Satisfy current and future water demands through the rational use of the resources of each basin and the *balance hydraulic* between the different river basins of Spain.

In this section, therefore, a new concept is introduced -*the hydraulic balance*- which did not appear in the previous Water Act of 1985 or in the remaining complementary provisions, the meaning of which is not clarified at any time in the text of the PHN. Article 38.1 of the Water Law, on the other hand, defines as general objectives of hydrological planning ... “achieving the best satisfaction of water demands and balancing and harmonizing regional and sectoral development by increasing the availability of water resource, protecting its quality, saving its work and rationalizing its uses in harmony with the environment and other natural resources”. In other words, there is talk of regional and sectoral balance, although in no case was it in the spirit of the current Water Law to "balance water" our country to provoke or support the balanced development of the state.

The hydraulic balance between the peninsular river basins is only possible -it is claimed- through "water transfers" between them, but what is not clarified at any point in the text of the law of the PHN is the precise meaning of such an important concept. Is it intended to overcome the water imbalance by artificially recirculating water through rivers? Is it hoped that all crop fields will have the same supply of irrigation water? Do you dream that it will rain (or snow) to the same extent in all parts of Spain? Is it possible that the same amount of water will flow from all wells and springs? Do you want the fountains of all monumental fountains to have the same scope? Is it expected that all industries will need the same amount of liquid element and that all wastewater treatment plants will operate at the same times of the week?

In short, what kind of water imbalance, as defined above, is intended to be overcome? It is aspired, perhaps, that all Spaniards drink the same liters of water, that from all the taps an identical jet springs, that all the gardens soak the same, that all the public swimming pools have the same losses, that all the lakes and swamps contain the same volume of water or that the same flow flows through all

Spanish rivers and canals? In the end, it would be desirable to define, with sufficient accuracy, what is intended to be done -at such a high economic and social cost- when it is proposed, as a new certainly esoteric goal of hydrological planning, hydraulically balancing the territory of a country.

2. Transfers *versus* territorial balance. Proposed Decalogue of transfers

It is clear that water is one of the natural elements that allows a rational planning of the territory, both in its domestic use and in its other uses provided for in current hydraulic legislation: industrial, energy, aquaculture, navigation and transport, recreational and agricultural. Water and its management are therefore key elements in a well-planned territorial policy. Territorial rebalancing (also known as “territorial equity”) may be due to the need for water within production processes, which would logically condition industrial growth in certain areas where adequate flows already exist, with the effect of attraction that this entails on the labor employed in those industries. Therefore, we see how industrial growth “drags”, in some way, considerable urban and residential growth that, if not carefully planned, could be chaotic and inefficient for the supply and execution of works and services of all kinds.

A balanced territory, in short, has the most homogeneous distribution possible of the masses of population and income, without discontinuities, but also without large unbalancing concentrations. And it must seek equality in the accessibility of the population to all kinds of services. The projected extension of the mini-transfer from the Ebro to the great conurbation of Barcelona will create a great imbalance in the country, by promoting the expansion and even the creation there of new urban, recreational and industrial concentrations that will increase even more the territorial imbalance already existing in the region of Catalonia.

From a consumptive point of view, the meaning of a possible transfer of water from one river basin to another should be to leave areas where there are surplus water resources and reach other places where consumption is lower and for which there is no better alternative policy than to bring them water to induce them a greater degree of development. However, none of these premises are met in the Spanish case. The basins considered surplus in the PHN-2001 have an already very high degree of use of their resources, the deficit basins consume more water per capita (in total uses and in the domestic) than potential donors and it does not seem that the Mass export of water resources becomes the engine of growth that water has in countries with much lower levels of development than ours. And it is that the pharaonic hydraulic projects, already entered in the 21st century, are rather own of the countries of the Third World, financed with bottoms coming from the World Bank and the International Monetary Fund¹⁰⁹.

¹⁰⁹Since the 1970s, all the actions of the International Monetary Fund (IMF) have been aimed at controlling the economies of the Third World and the repayment of external debt with the corresponding interest. Control of these economies is achieved through loans; whose first objective is, as stated in its articles, "to

As can be deduced, it does not seem logical that the most important aspect of the previous national hydrological plans is to lead to a widespread policy of transfers and interconnection of almost all Spanish basins, as if it were a network. high-voltage electricity, citing in its defense the situation of "water imbalance" existing and placing as the goal of such an absurd process the "water solidarity" that should exist among all Spaniards. In fact, the so-called *Libro blanco del agua en España*, of December 1998, already expressly rejected this purpose.

Looking back, we can find problems such as the unrest that has been created in the autonomous community of Castilla-La Mancha by the problems of negative migration that are occurring in favor of attraction poles such as the east coast and the great conurbation of Madrid. Obviously, the Tajo-Segura transfer does not contribute to the consolidation of the population of the basin that the water yields. In this sense, Law 26/1971, of 19 June, on the joint use of the resources of the Tajo and the Segura, has only provided tangible benefits for the receiving basin¹¹⁰.

In the same way, due to its unbalancing effect on the territory, the negative repercussions of the so-called "mini-transfer" in Tarragona are beginning to be seen (Law 18/1981, of 1 July, on actions in the field of water in Tarragona. BOE No. 165 of 11/07/81) in relation to *Terres de l'Ebre* region, still bearing in mind that it has been, in fact, a sale of water. The fact of not being able to use more than 50% of the total endowment (4 m³/second) or of not knowing how to do it, invited at the time other territories like Mallorca to ask for the legal surpluses, which constitutes a precedent of the current situation. This has only been done, in the end, to open a long process of requests with unpredictable results and, in any case, has been detrimental to the Ebro basin (especially with regard to future demands from the metropolitan area of Barcelona and the irrigation and urbanization of the Júcar basin). All four cases, both Tarragona, Barcelona, Valencia and Mallorca, have

encourage private investment and conduct international investment operations." The IMF is joined by 182 countries that contribute a share depending on their possibilities. The more money you contribute, correlatively, the more decision-making power you have. The IMF makes its decisions by vote, but if there are 18% of votes against it can no longer be approved. Only the US has 19.9% of the vote, which is why they can veto any decision. However, not all countries in Asia and Africa do. The seven most powerful countries have enough votes to approve anything. With this scenario, multinationals are eating the world for the greater glory of rich countries. All countries that have received aid from the IMF or other multinational financial institutions, such as the World Bank, have had to regularly implement structural adjustment plans, or what is the same thing: reduce public spending, freeze or reduce wages, devalue national currencies, liberalize prices, privatize state-owned enterprises, take on the ecological disaster, abolish protectionist laws, and so on. With more than fifty years of history, and supposedly specialized in saving the economies of the Third World, almost all those countries that have received their "invaluable" help have seen their drastic quality of life drastically reduced.

¹¹⁰Not all the water coming from the Tajo-Segura transfer that reaches the Segura Hydrographic Confederation, specifically the Talave reservoir, is destined for the Confederation itself. Thus, part of the resources from the Tagus basin are used to supply municipalities in the Júcar demarcation, municipalities in the southern demarcation and irrigated areas physically located in the Júcar demarcation. The distribution is made proportionally according to the maximum transferable volume: of the 140 hm³/year destined to supply 131 correspond to the commonwealth of the channels of the Taibilla and nine, to the Hydrographic Confederation of the South; of the 400 hm³/year destined for irrigation, 335 are destined for the Segura basin; 50, that of the Júcar, and 15, that of the South. Despite this, and as proof of the conflict created with the neighboring autonomous community of Castilla-La Mancha, the latest Statute of Autonomy of this Castilian region provides for the end of the transfer for 2015.

much higher socio-economic parameters than those of the basin that yields the water.

It is, after all, a matter of leading man and his anthropic activities to natural resources, and not the other way around. It's about doing something as simple and natural as taking water to the water, not the other way around. From this perspective, therefore, any policy of water transfers in Barcelona and its metropolitan area is *a priori* very debatable and, ultimately, reprehensible.

We believe that the great environmental impact that the transfers would produce would be mainly due to the large works that would have to be carried out. On the one hand, large transfers have a significant impact on populations, not only of donor basins, mortgaging their future development, but also in recipient basins, by creating false expectations. In fact, the mere announcement of a diversion triggers resource demands in the receiving basins, well above the available volume. Specifically, in the Segura river basin, the current water deficit is much higher today than it was before the Tajo-Segura transfer came into operation¹¹¹.

On the other hand, according to some research, the existing surplus theorists in future donor basins will largely disappear in the coming decades as a result of climate change. In short, large spills produce serious environmental and social impacts, in addition to being of very little hydrological utility, and in no case would they solve the problems of structural deficit of the receiving basins.

For the reasons mentioned above, the transfer policy provided for in the PHN should be based on objective circumstances. However, and from the point of view of strict rationality, we propose the establishment of a **Decalogue of conditions** that should be met, as a starting hypothesis, in order to be able to justify any inter-basin transfer, namely:

- 1) That the resource be transferred from one “rich” area to another in which socioeconomic parameters reach lower values (income density, population density, per capita income, etc.).
- 2) That it is unequivocally demonstrated –by means of the rigorous studies to which we have already referred before– that there is a lack of water in the receiving area and that, on the contrary, there is excess in the

¹¹¹The surface resources transferred to the territorial scope of the Segura Hydrological Plan and coming from the areas of other plans, have their origin in the upper basin of the Tagus. The volumes to be transferred in a first phase were set at a maximum of 600 hm³/year, and in a second, at 1,000 hm³/year, as well as the total flow projected for the large transfers initially planned in the PHN-2001 to supply the Catalan inland basins and those of the Júcar, Segura and Almería (south). Its origin is located in the Bolarque reservoir, from where it is pumped to the Bujeda reservoir, which is used as the upper tank (7 hm³) of the Altomira power plant. The canal drains into the Alarcón reservoir, in the Júcar basin, around which, and in the form of entrances and exits, and the other section of the canal to the Talave reservoir, already in the Segura basin. The transport of resources in the basin takes place physically through a channel of 33 m³/s capacity, which would theoretically be enough to transfer the indicated 1,000 hm³/year to continuous fictitious flow, as already indicated. Within the receiving basin, the post-transfer infrastructures allow the distribution of these transferred resources to the different areas of use.

transferring basin, taking into account the existing concession rights and needs current and the expectations or future of the latter. For this reason, a previous, rigorous and even study of the existence of regulated or unregulated flows will be necessary, based on the most recent and reliable gauging statistics, checking the accuracy of the measurement of the existing sound stations and keeping in mind the current capacity of the current to be transferred, as a consequence of the real use of its resources, as well as the current and expectant or future needs of the transferring basin. Specifically, in the case of the river Ebro, it has been shown that not a drop of water is left over according to the chronological series of contributions in the final section and the present and foreseeable or future demands¹¹².

- 3) That the receiving basin has a notoriously lower initial consumption than the transferring basin, without there being a better alternative policy than that of supplying the resource in order to induce, in the former, a greater socio-economic development.
- 4) That the civil works and electromechanical installations necessary to carry out the transfer of the resource do not adversely affect the environment of the transferring and receiving basins.
- 5) That in accordance with current legislation (Water Law and concordant regulations, hydrological plans ...) for the granting of concessions, the transferred water will be dedicated primarily to urban use and, extraordinarily, to agricultural and industrial uses, discarding all others.
- 6) That the transferred water must come from resources released by some savings plan applicable to the transferring basin, in such a way that the water tension to which the water resources of this basin will be subjected to are not increased for the said cause.
- 7) That the compensations of all kinds that are arbitrated enjoy, by their amount and nature, the approval of the inhabitants of the ceding basin, manifested by the corresponding democratic routes.
- 8) That ultimately, through a referendum, plebiscite or popular consultation organized in the appropriate territorial area, free permission is given to the transfer of the resource (there are precedents in California for this reason).
- 9) That other hydrogeological “goodness” can be distributed in the receiving basin, such as the recovery of depressed piezometric levels of aquifers by recharging them, washing the salts of the cultivable horizons or leaching, etc.
- 10) That a rigorous economic-financial feasibility study be carried out that demonstrates, where appropriate, the desirability of carrying out the transfer of the resource in the face of other alternatives (wastewater use, savings plans, desalination of seawater, groundwater exploitation, etc.).

¹¹²*Vide* J. M. FRANQUET for “Cinco temas de hidrología e hidráulica”. Ed. Bibliogràfica Internacional & Universitat Internacional de Catalunya (UIC). Tortosa, 2003.

Recently, the implementation of irrigation derived from the Xerta-Sénia canal is a very important objective for the southern regions of the province of Tarragona. Despite the delay of the Generalitat of Catalonia to present the National Irrigation Plan (P.N.I) at the time in Madrid, including the corresponding administrative and technical documentation. This irrigable area, like that of the Aldea - Camarles¹¹³ irrigations (even further back, by the way), is completely within the Ebro basin, which is why in principle it does not involve any transfer (you must be vigilant, however, in relation to this potential danger).

Except for specific issues of solidarity -which should be found very carefully so that they do not hide other less confessable interests- the truth is that, at least to date, none of the planned transfers meet all -not even most- of the ten conditions outlined, which is why our criterion is that transfers between basins are unnecessary and undesirable.

Hydraulic policy, in the end, is characterized, *per se et essentialiter*, as theologians would say, by its complexity, derived from the systematic existence of conflicting interests. As we enter the 21st century, we believe that what should be done in a country that prides itself as a leader in the world concert of nations is to improve the management of the resource, especially in the presumably "deficit" areas, before water storage or transfer works (inspired by the management of resource supply and not demand) more typical of aid policies in underdeveloped Third World countries, typical of the 1940s and 1950s past, made by the World Bank and the International Monetary Fund, as we noted earlier, that of the measures to be used in modern economies, as is the case of the Catalans today.

But you also have to be optimistic and think, as an old saying goes, that there is no harm in lasting a hundred years. We believe, moreover, that just now, due to the current crisis, we are presented with the great opportunity to correct the wrong spatial planning policies that have led us to the present chaos and that can lead us to even more serious situations. The different administrations (state, regional and local) can perfectly, through infrastructural and territorial planning actions, promote general, sectoral and urban planning plans that decisively favor the demographic, recreational and factory implantation where there is the resource, limiting or even prohibiting these settlements where there is already saturation and water resources are scarce, as is just the case in Barcelona and its metropolitan area.

¹¹³The relevant Irrigation Community was set up in 2003 and manages an irrigation plan for a gross area of about 6,000 ha, based on a 1927 water concession of 1.4 m³/sec which has never been used. It covers the municipalities of Tortosa, l'Aldea, Camarles and l'Ampolla (up to the limit of the Sant Pere ravine), all of them from the province of Tarragona, within the territory of the Ebro river basin. In recent years, the legal situation of the Community has been normalized, having been included in the irrigation plans of the government of the Generalitat of Catalonia and a series of various technical projects and studies have been awarded: soil study general of the irrigation spot, geotechnical study of the ground where the main pipes and the irrigation ponds must go, study of the environmental impact and the project of rehabilitation of the administrative concession. Recently, the defined works are being awarded to the corresponding construction projects.

Today we are facing the great challenge of territorial rebalancing in many countries in the world. Don't waste it!

3. Financial compensation

All actions to remove water from a river can adversely affect the acquired rights of irrigators and other users of the watershed of that resource, as well as the environment. The latter is usually always the big loser. **And it is still missing a subtle, but essential mechanism for ecological values to be transformed into economic values as well.** Not having changed the sociological models to new general guidelines that govern the behavior of humans and that, for now, only they manifest themselves among social groups disenchanted with the unbridled consumption that the current model of coexistence obliges, and which are usually severely judged by what is characterized by *neither doing nor letting go*. Undoubtedly, with the issue of very high voltage overhead power lines or wind farms and the corresponding map we are reliving these situations.

However, if we agree that an improvement in collective well-being cannot exist as long as any of the people or groups become harmed by the project or productive change, it will turn out that if the country (through its democratically elected rulers) decides to take action of more or less emergency in a given area and, as a direct consequence, its environmental factors lose quality and this constitutes a social expense; someone has been a loser and must be compensated. The solution to the dilemma: potentially polluting project / strict environmental conservation, does not consist, in my opinion, in complementing both desires so that the ecological damage caused is minimal; this is already taken for granted and belongs rather to the strictly technical realm of the matter. **The basic theme is the financial compensation to the recipients of the evil, calculated in solidarity through a social commitment.**

It is clear that we are facing a future ecological damage, the economic assessment of which is not at all easy and is generally rather impossible. Compensation to be granted to threatened territories is a matter of extreme difficulty and may **require a political compromise between the society requesting the resource (Barcelona metropolitan area) and the population involved in the risk** (section of the river basin of the Ebro located downstream of the projected catchment point, that is, between Tortosa city and the river mouth) **which has every right to be heard, to intervene in the study of the compensation that the company claiming the water has to pay for the provocation of the risks and, where appropriate, even to reject the interconnection.** For society as a whole, this is another ecological renunciation that the country must face, if it wants to preserve its choice for consumption and modernity; for the directly affected population it is rather a question of not charging exclusively with a cost that must be satisfied by all those who benefit from it; that is, the receiving basin.

As we see, the right of the minority to have their sacrifice recognized and appreciated by the majority comes into play here. This is possibly the key to the issue, which links water policy with risk, through a public, legal, effective and modern recognition of the compensation to be paid to the municipalities directly affected (not to all of the irrigators of the river basin of the Ebro, as it might seem by the application of an extensive and excessive criterion) by means of fiscal, infrastructural measures, subsidies or simply, as was already done in its day on the occasion of the called "mini-transfer" in the Camp of Tarragona (Law 18/1981, of 1 July), **through the implementation of a hydraulic canon** that must involve the performance of important works and services in the lower section of the transfer basin.

In another line of thought we see that in Catalonia, the water tax came into force on April 1, 2000, and is regulated by Legislative Decree 3/2003, of November 4, which approves the revised text of the legislation on water in Catalonia.

Through the fee, water users contribute to the costs of water cycle services, which include:

- The costs of investment and operation of sanitation systems (collectors and treatment plants), reservoirs and other water production and transport infrastructures.
- The prevention at source of pollution, and the implementation and maintenance of ecological flows.
- The recovery of polluted aquifers, the installation of supply infrastructure in municipalities, and water reuse facilities.
- Expenses generated by hydrological planning, inspection work, and tasks of controlling the good condition of coastal and inland waters for bathing use.

The canon has a strong ecological component, which is why it taxes the actual or potential use of water and the pollution that, once used, can occur.



XVI. OTHER IMPORTANT ISSUES TO CONSIDER

1. The European Union before Brexit

The European Union (EU) is a political community established under the sui generis regime of an international organization born to promote and embrace the integration and common governance of the States and peoples of Europe. It is made up of 27 European states and was established with the entry into force of the Treaty on European Union (TEU) on November 1, 1993. With this act, the supra-structure "European Union" united and was founded on the three pre-existing European Communities -the European Coal and Steel Community (ECSC), the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC/EC)- and added the common foreign policy and judicial and police cooperation, forming a complex system known as "the three pillars". However, with the entry into force on December 1, 2009 of the Lisbon Treaty, the European Union succeeded, completely, but with certain particularities, the former European Communities and thereby assumed its unique legal personality as a subject of international law.

The European Free Trade Association (EFTA) or European Free Trade Agreement (also known by its acronym in English EFTA -European Free Trade Association-) is a trade block created on January 4, 1960 by the Stockholm Convention as an alternative to the European Economic Community (1957) and integrated by Austria, Denmark, the United Kingdom, Norway, Portugal, Sweden and Switzerland. It entered into force in June 1960. In 1961 Finland entered, in 1970 Iceland and in 1991 Liechtenstein. The EFTA groups the countries that preferred not to join the European Union, initially led by the United Kingdom. Its objective was to achieve economic expansion and financial stability for all its members. But after the abandonment of EFTA and entry into the EEC of the United Kingdom and Denmark in 1973, Portugal in 1986, Austria, Sweden and Finland in 1995, the role of EFTA has decreased markedly.

The United Kingdom joined the continental bloc, currently made up of 28 countries, on January 1, 1973, but in June 2016 the British decided to leave the EU after a referendum and end a tortuous relationship of more than four decades where they never felt fully at ease. Membership of the European Union implies the acceptance of the so-called "four fundamental freedoms": the free movement of workers, goods, services and capital. The main argument of the campaign in favour of leaving the United Kingdom was that with Brexit the British were going to "regain control" over their own affairs, in particular over their borders, which would allow them better control of migration.

The departure of the United Kingdom from the European Union was a political process that led to the abandonment by the United Kingdom of its status as a full member of the European Union. In reality, the English have never felt fully European; their island status allows them to boast of a "splendid isolation". Their

national pride, fully justified by their character and admirable historical trajectory, have turned them into a huge aircraft carrier at the service of their former North American colony in the euro/dollar geopolitical and economic confrontation. This reality was already seen by General De Gaulle, President of the French Republic, an old connoisseur since the Second World War of the English special character, who vetoed their entry into the EEC while he was presiding over France ("Oui, mais...").

De Gaulle went so far as to say that the United Kingdom was "incompatible" with Europe, given its untamed character and proudly clinging to its traditions. Surely the old, military sage was absolutely right. The French general considered the UK to be a true Trojan horse because of the particular influence of the United States over the United Kingdom. This paralyzed the accession negotiations, something that would be repeated, again, with De Gaulle's repeated refusal in 1967.

Alternatively, the United Kingdom then chose to lead EFTA, the European Free Trade Association (EFTA), which was a trading bloc. Created on 4 January 1960 by the Stockholm Convention as an alternative to the European Economic Community (created in 1957 by the Treaty of Rome) and comprising Austria, Denmark, the United Kingdom, Norway, Portugal, Sweden and Switzerland. It entered into force in June 1960. In 1961 it entered Finland and in 1970 Iceland. The EFTA grouped the countries that preferred not to join the EEC and its goal was to achieve economic expansion and financial stability for all its members.

Only when De Gaulle left office in 1969, and European leaders were carried away by a strange mixture of courtesy and Anglo-American servility, were they able to reactivate the negotiations thanks to the interests USA who saw in the British entry operation into the EEC the conversion of the British Isles into a grandiose aircraft carrier anchored at the gates of Europe in order to control the geostrategic situation and, incidentally, to curtail, as far as possible, the European economy that was being forged competitively over the American one.

The US had been the great example of the development of British capitalism. Between the two societies they had imposed a market and growth dynamic that had been a leader in world economic systems for centuries. It was enough to reread Adam Smith, Thomas Malthus, David Ricardo, John Stuart Mill, and other classical economists to see how the principles of economic liberalism and the supremacy of the markets -that they devised- were they imposed themselves strongly on the stage of the developed world.

It was the Conservative Prime Minister Edward Heath, a convinced European, who succeeded; and so, on 1 January 1973 the United Kingdom joined the European Economic Community, along with Denmark and Ireland. Two years later, in June 1975, a referendum was held to find out the opinion of the British in this regard, which resulted in a yes with 67% of the votes cast.

Now, before Brexit, instead of being happy to have the opportunity to put the common house in order, the current European leaders cry with crocodile tears and regret the march of the English without having understood practically nothing of what they or what do they want. And at the same time, they are incapable of building an authentic union of states, like the USA, having started the building backwards with the economic union (through the roof) instead of the political union (through the foundations). Let us hope that from now on, without the British obstacle, we can proceed to consolidate a true European nation, which will undoubtedly worry North Americans, British, Russians and Chinese who will do everything possible to prevent it.

2. A problem in our society: the consumerism

As Greenpeace points out, the consumption of products, services and goods is a habitual occurrence. But our society is involved, more than in consumption, in the "consumerism" or overconsumption that pushes us to acquire more and more things. This trend, on which the current economic system largely depends, has serious consequences for the health of the planet and ours. The impacts due to climate change and the loss of biodiversity and exacerbated consumption are increasingly evident as a recurring element in the current crisis. There is an urgent need to change the way we consume.

The key point to understand is the evolution of the consumer society. That those who control the economic system - as has become clear in the recent crisis - are not interested in the psychological well-being of citizens, nor in their personal fulfilment. What they want is to keep the market in constant expansion, so that they do not stop increasing the sales of the companies and, therefore, their profits. This is what is meant by moving from a "production economy" to a "consumer economy" in which the challenge for companies is not to produce, but to sell. Marketing and advertising are the key pieces of maintaining this system, since they are responsible for keeping consumers permanently encouraged to incorporate all the products and services offered to them into their lives.

Undoubtedly, this manipulation hides the greatest absurdity: trying to use the idea of 'purchasing' to overcome the boredom and dissatisfaction produced by this consumer society. Consumers, who -consciously or unconsciously- realize every day that their life is not what they would like, need to keep buying, even if they do not need what they buy. Sometimes they cannot even read the instructions of the products purchased (household appliances, medicines...) given the difficult legibility of those, due to their small font size.

The prevailing economic system needs citizens addicted to consumerism, and it has strived to create and keep them that way, even if the price has been to destroy the hope of a more humane society, more contact with nature and fuller personal development for all. Therefore, the addiction to the purchase is not a problem for

some people, but a problem that all our society has. And as long as we are unable to tackle it, the mental and material health of this society will be seriously injured.

3. The world economy facing climate change

Until recently considered a mere externality, environmental health has played a key role in the models of today's economists. Several studies have revealed that the effects of climate change are a strong limitation for economic growth and impede the achievement of sustainable development since, due to their transversal nature; they affect all sectors of the economy. Climate change is not only a serious threat to the planet and people; it is also a threat to the world economy. It is a problem that requires collaboration between the public and private sectors to change the current production model towards one that guarantees and drives development and sustainable economic growth.

It has been estimated that the effects of climate change, which is generated by the increase in average temperature, which, in turn, is mainly caused by an increase in concentrations of greenhouse gases (GHG)¹¹⁴ in the atmosphere, could cause in the next fifty years a loss of global GDP of the order of 9% (this only taking into account economic and not social or environmental effects, such as negative health impacts, damage to ecosystems, or loss of biodiversity , among others) and, if mitigation and adaptation actions are not carried out, said loss could even rise to 20% due to the increase in damages and impacts.

In addition to its serious impact on the environment and people, climate change is also one of the greatest threats to economic stability. Heat waves reduce work capacity and productivity. Hurricanes, cyclones and typhoons leave millions of people in absolute poverty after devastating populations with total indifference. And droughts reduce harvests, increasingly making the arduous task of feeding a global population that promises to reach 10 billion people by 2050 more difficult (UN World Population Outlook 2019). The World Bank warns that if we do not take urgent measures, the impacts of climate change could push 100 million more people into poverty by 2030.

In 2006, the British government became the first to commission an economist to produce a climate report. The chosen one was Nicholas Stern former chief economist of the World Bank- and the result was a 700-page text that has become

¹¹⁴ A greenhouse gas is a gas that absorbs and emits radiant energy within the thermal infrared range. Greenhouse gases cause the greenhouse effect on planets. The primary greenhouse gases in Earth's atmosphere are water steam (H₂O), carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), and ozone (O₃). Without greenhouse gases, the average temperature of Earth's surface would be about -18 °C (0 °F), rather than the present average of 15 °C (59 °F). The atmospheres of Venus, Mars and Titan also contain greenhouse gases. The United States produced 5.4 billion metric tons of carbon dioxide equivalent greenhouse gas emissions in 2018, the second largest in the world after China and among the worst countries by greenhouse gas emissions per person. Because coal-fired power stations are gradually shutting down, in the 2010s emissions from electricity generation fell to second place behind transportation, which is now the largest single source.

a benchmark in the matter and in which Stern already stated that “greenhouse gas emissions are the biggest failure of the market that the world has seen”. In summary, the main conclusion of the Stern Report is the need to make an investment equivalent to 2% of world GDP to mitigate the effects of climate change.

On the other hand, the North American economist William D. Nordhaus received in 2018 the Nobel Prize in Economics -together with Paul Romer- for integrating climate change into long-term macroeconomic analysis. Nordhaus was the first economist to develop a quantitative model that replicates the interaction between economic development and climate evolution on a global scale. For Nordhaus, the solution to curb climate change is to put a deterrent price on carbon, since the current one is too low and does not encourage looking for clean alternatives such as renewable energy (decarbonization of energy systems combined with electrification technologies decentralized and digitally enabled can provide access to modern energy services to the 1 billion people who currently lack it worldwide).

Furthermore, the impact of climate change on the economy will translate into significant financial risks through a series of channels that will affect organizations and individuals. For many companies, the main effects will be lower income and higher costs. For example, in the automotive sector, companies will have more difficulty selling cars with internal combustion engines, while they will have to bear the increasing costs of R&D for the development of hybrid or electric vehicles and battery technology. This could restrict the ability to continue paying dividends, which will affect many people who depend on them as their primary source of income for retirement. In high-carbon sectors, there is an additional risk of asset value deterioration, such as the reserves of oil and natural gas exploration companies.

In this sense, ultimately, it is necessary to design public policies that reduce the economic impacts of climate change and allow the economy and society to adapt to this phenomenon. To do this, governments must design and promote economic and financial instruments that help prevent the negative effects of climate change, as well as being part of the design of the regulatory framework that allows the economy to focus on a situation low in GHG emissions and that is much more respectful with the environment.

4. The globalization of positive solutions

Despite the criticisms of the globalization process that we make in this book, it is also fair to highlight the multiple positive aspects that the globalization of knowledge brings and the application to other countries of successful and successful solutions to certain educational and technological problems, health or environmental that affects humanity. In this section, for example, it is about taking

advantage of the Dutch experience in the fight against climate change, as a continuation of what was discussed, precisely, in the previous section.

The global problem of coastal zones in the face of sea level rise due to climate change especially affects the world's deltas due to their own geomorphological condition. Certain nations, such as the Netherlands, have known how to deal with and resolve this problem throughout history, while others have spent years discussing the measures to be adopted, establishing a confusing debate on the advisability of adopting "hard" or "soft" and complaining, at the same time, of the perceptible collapse of the land, with the collateral damage that this entails, but being unable to take effective measures to safeguard the situation. Spanish professor J. A. Doncel Domínguez presents a revealing article on this topic on his blog.

The Dutch coastline largely coincides with the mouth of three of the great Central European Rivers, the Rhine, the Meuse and the Scheldt, making it a large delta. Only in the southeast, at the confluence with Belgium and Germany, we find land located 200 or even 300 meters above sea level; we refer to the province of Limburg, in which the famous city of Maastricht is located, known by the homonymous treaty (see footnote 68).

The very existence of the Netherlands, as well as its imposing agricultural development, cannot be understood without the Dutch's indefatigable struggle in front of the sea and their enormous efforts to take from it every inch of land. These are lands called "polders" and which are located at or below sea level, subject to the onslaught of waves and tides. Today, the polders make up more than a quarter of the Dutch territory, and include many of the richest and most productive lands in the country. But also, the dykes and the engineering works carried out together with the polders have made it possible to tame a sea that, historically, has subjected the Netherlands to continuous and recurrent floods.

But it is not only that beautiful European country that suffers from this problem. Most of the world's low-lying coastal areas and river deltas (Mississippi, Rhone, Mekong, Ebro, Po, Nile, Colorado, Danube, Orinoco, Amazon ...) are being affected by the malevolent combination of the increase in sea level due to global warming and the lack of sediment contribution caused by its subsidence. Polders have been built in many places in Europe, such as in northern France, Germany or England, and even in Lithuania, Poland or Italy and countries on other continents such as Canada, India, South Korea and Japan. However, it is in Flanders - Belgium- and especially in the Netherlands, where the majority are located. The Netherlands has half of the European extension of polders, about three thousand in total, representing 27 percent of the country's surface; in fact, the city of Amsterdam itself is built mostly on an old polder. Currently, the Netherlands has taken a total of 7,200 km² from the sea, all of which are located at or even below sea level.

The Dutch battle against the sea comes from afar. Even back in the Roman Empire, retaining walls and barriers against tides were built. At that time, the Frisians settled their populations on artificial mounds of more than 10 meters in height called "terpen", which kept their inhabitants sheltered from the recurrent floods of sea level. The first attempts to drain flooded soils and create polders began in the 12th century -during the Middle Ages- in the Flanders region, although soon the Dutch proved to be the true masters in this regard. Earth dams were built to keep the sea contained, and windmills were erected to pump the water and drain shallow lakes, swamps, and river banks. Those mills, true wonders of hydraulic technology, had been brought in by the Crusaders from Asia, and the Dutch built them in great numbers.

The systematic use of mills to transform lake areas into polders reached its full development in the 17th century, based on the work of hydraulic engineers such as Jan Adriaensz Leeghwater, who applied his ideas to the drainage of Beemster Lake, located north of Amsterdam. Using 42 mills, between 1607 and 1612, he managed to dry up a lake that was 3.5 meters below sea level. An agricultural space was created, organized on a much-regularized division of land, responding in the design and layout of the landscape to the ideals of Antiquity and the Renaissance. Today the Beemster polder holds the title of UNESCO World Heritage Site, thanks to the fact that its original structure has remained intact. Starting in 1800, with the development of the First Industrial Revolution, windmills were displaced by steam pumping stations. And in the 20th century these would be replaced by diesel engines and electric drainage stations based on centrifugal pumps and Archimedean screws.

In 1927 the construction of the most ambitious plan to stop the floods in the area began, at the same time as immense territories were gained from the sea. It was about building a huge dam, the Afsluitdijk or closing dam, 30 km long and 90 m wide, which would divide the dangerous South Sea or Zuiderzee into two parts: an open and salty sea that became part from the Waddenzee or Frisian Sea, and another, an immense freshwater lake or IJsselmeer. The dike was completed in 1932, after five years of work, and in 1933 the road that runs over it was inaugurated. The new lake became the base for the world's largest polders, covering a total of 1,500 square km in area: the Noordoost polder (1942), the Oostelijk Flevoland (1957), and the Zuidelijk Flevoland (1968). To them should be added the Wieringermeer polder, which would remain on the banks of the lake, but had been built before the great closing dam.

This and other actions that are taking place will not be the end of the process, because today the Netherlands has more projects to complete the country by winning the territories under the Waddenzee; the west Frisian islands would then unite to form a continuous barrier.

It is, without a doubt, a magnificent example to consider.

5. The desirable global harmonization of Corporation Tax

One of the many negative consequences of globalization has been that many governments have tried to minimize taxes on multinational companies to attract them to their territory. Some digital platforms compete in unequal conditions with respect to other companies that do pay their taxes correctly. In addition, some countries have much lower corporate taxes than others, so there is unfair competition between them that has to be corrected. The proposal to establish a global minimum tax on multinational companies seeks that countries reach an agreement and commit to define a tax floor, that is, to put a limit on fiscal dumping to avoid tax charges that are too low.

Therefore, a solution would be to approve a minimum tax level at a global level to tax the profits of large corporations, so as to avoid the race to the bottom in corporate tax that currently exists. A minimum rate at a global level for companies could be used so that the economy develops with more equal opportunities in the taxation of multinational companies and that this stimulates innovation, growth and prosperity of the countries.

With the advent of globalization, the number of multinationals operating in many countries skyrocketed. And along with it, the possibility that these large companies could locate their profits where it was most convenient for them. That is why the different governments of the world have been lowering corporate taxes for years to attract these multinationals. But this should change in the sense that companies pay a minimum tax on a global scale. In any case, international tax reform is a complex political and technical issue, and possibly the most ambitious multilateral tax project that needs to be undertaken.

It would try to reach a comprehensive agreement on international taxation promoted by the large International Financial Institutions. A rate of 10 to 15% could be established which, by the way, is close to the current one applied by Ireland. It's about ensuring that multinationals pay a fair share of taxes wherever they make a profit. Precisely, a corrective mechanism for the savage globalization that we have been referring to in this book would consist of promoting a global agreement or harmonization on international taxation that includes common rules on what is tax deductible. In short, there are no more holes so that the most affected countries do not have to invent strange things such as the tax on certain digital services.

However, the definitive solution is still far away, since there is still a problem with the multinationals. Even if taxes were similar in all countries, multinationals would still have a problem locating their profits. Companies that have R&D in one country, manufacturing in another, headquarters in a third and sales in several others, where and how much would they be taxed?

6. One last thought for the future

The Coordinated Institute of Governance and Applied Economics, through the group of analysis of options to avoid economic collapse, revealed at the time that the impact of Covid-19 will be of such magnitude that it will transform the world in the medium term socially, politically and economically. We believe that the Covid-19 crisis will persist longer than many investors suspect and that the economic damage will be deeper and potentially more lasting.

There should be a rethinking of supranational figures from the most global (such as the UN, the IMF, the World Bank and WHO) to regional cooperation spaces such as the EU or Mercosur.

We will have to reinvent the financial markets that have shown their extreme weakness, with erratic, uncertain and unpredictable behavior, and the need for governments and central banks to come to plug the holes in the system, as happened with the 2007 crisis. Therefore, economic interventionism, with its associated rescue plans, is reinforced as an element of surveillance and control of the global financial system.

The classic parameters of action of the Stock Exchanges explained the upward or downward movements of the prices based on their known accounting results and their business expectations. Today, this has gone into the background, with the declarations of certain characters, the unfounded rumors, the “fake news” or the geopolitical events that have little or nothing to do with the real performance of the companies and the distribution becoming more important for its benefits. The sporadic drop in the world price of oil, for example, which occurs on certain occasions and which should provoke investor optimism by lowering the production costs of companies and the consumption of families, on the contrary, induces an automatic drop in quotes and stock indices. It is worth asking, then, who really benefits from this situation and in whose dark interests are these financial markets.

It is necessary to highlight the importance of national production in strategic sectors, since the wild relocation of the last decades has meant that in crisis situations it is necessary to queue up to obtain essential supplies from very few suppliers who abuse their dominant position. In this sense, the concept of strategic reserves, which until now was limited only to the energy world, will expand to the technological and biotechnological sectors and will force industrial control of certain activities to guarantee the safety of all citizens, with a tendency towards adoption of autarkic models. And the primary sector of the economy (agriculture, livestock and fishing), so often forgotten and the only food supplier, must become strategic: we can subsist by desisting from watching television, travelling by car, waging stupid wars, attending the opera or using the computer, but we urgently need to eat and drink two or three times a day.

In reference to the microeconomic sphere, despite the fact that numerous mechanisms have been implemented to guarantee the sustainability of companies and avoid serial bankruptcies, the impact on turnover and profits will not be less violent. Returning to normal will take time. Thus, while equity valuations may appear attractive at these levels, they will undoubtedly not be sufficient to fuel a sustained rise, given the poor outlook for economic activity.

The fact of having turned China into the largest factory in the world means having created a huge dependency on the Asian giant, which is another unintended consequence of globalization. So much so that one begins to fear a shortage of certain drugs that are produced in Wuhan, which is the capital city of Hubei province in the People's Republic of China. It is the largest city in Hubei and the most populous city in Central China. These circumstances and many others that we have been highlighting in this book have brought to the table the need to deglobalize or at least diversify the production of each country to decrease its dependence on foreign in-put, as the United States is doing. There is no doubt that the world economy will be different after coronavirus Covid-19, in the same way that it changed after the Great Recession of 1929.



EPILOGUE

As a result of economic globalization that has occurred with the fall of communism after the collapse of the Berlin Wall and the dawn of the third millennium, the world has embarked on a process of rapid change and rapid technological innovation. As a result, the coming decades will bring a time of great changes, opportunities and dangers that we can summarize, among others, in the following ten points¹¹⁵:

1) The healthiest economies in Europe, Asia and America are banding together and forming large regional economic blocs.

2) The classical military conflicts are being replaced by the fight against terrorism, economic and trade competition.

3) There is a well-seen and a badly-seen emigration: the one that has everything (that goes to the casino and luxury hotels) and the one that has nothing (that tries to cross the Mediterranean to the north aboard an illegal ship). Perhaps it would be better if all or part of the money coming from black gold remains in the regions of origin (the Maghreb and, in general, the Muslim world), which would avoid many deaths and these painful and uncontrollable movements of the population.

4) They are increasing ethnic conflicts and tribal, despotic regimes, Islamic fundamentalism and the traditional hostility towards the West and its great patron, USA, in many African countries, Middle East, Central Asia and the Balkans. The monstrous terrorist attack that destroyed the twin towers of World Trade Centre in New York, on September 11, 2001, is an obvious proof of that.

5) An impoverished Russia, a potentially aggressive and expansive China and some smaller countries capable of producing nuclear weapons, pose a serious danger. Nuclear terrorism is increasingly easy to organize and represents a serious threat to world peace.

6) Technological innovation representing unstoppable computer advancements and teleworking will destroy many jobs. As the restrictions on imports disappear in developed countries, employees who perform routine tasks will compete in the global market at a disadvantage and will lose their jobs.

7) Despite what we are led to believe and the new data protection laws, the truth is that the privacy of people has never been so violated or spied on, as well as the control of our movements (labor surveillance through smart wristbands, satellite post, tracking, body data, banking, or shopping...) through different increasingly sophisticated computer applications. People give up their rights to enter the digital dictatorship and give away our data to the powerful (governments, banks or large

¹¹⁵Vide D. HIDALGO, *El futuro de España*. Ed.: Taurus. Madrid, 1996.

companies). The freedom of people requires that only what is necessary be known about them, not that everything be known about them. The use of those smart devices leaves a trace, turning the computer, the tablet or the mobile phone into a spy or terminal against oneself. As a consequence, more will be known about each person than what they know themselves. In the future, there will be more submission to Big Brother¹¹⁶ if drastic measures are not taken in this regard.

8) Social media will be a double-edged sword. Apparently, it was created to connect individuals, to have conversations with more or less known people or to meet people with similar tastes and with whom there had never been an opportunity to speak. However, they have also led to other types of increasingly common problems that millions of people in the world experience every day. The abuse of social networks can become depressive or cause anxiety. One of the problems that social networks will cause, and one of the most serious, is depression in cases of excessive use. In addition, the possible access of everyone to the social networks Facebook, Twitter, LinkedIn, Instagram... means that, frequently, the worst in the class are giving us the class. It must be borne in mind that the Covid-19 coronavirus pandemic has fundamentally attacked the elderly, the health workers, the sick and the poor, but not the foolish or the corrupt.

9) As "civilization" is called the set of customs, knowledge, arts and institutions that constitute the ways of life of a human society. In this sense, civilizations are societies that have reached a high degree of complexity in their forms of organization, their institutions, their social structure and their economic relations; that they are endowed with a political, administrative and legal system, and that they have developed scientific and technological knowledge, as well as art and culture. Hence, it is considered that the concept of civilization necessarily implies the presence of culture, and can be considered, in many cases, as its synonym, that is, the set of beliefs, values, customs, traditions, artistic manifestations, institutions, etc., that characterize a society. A civilization based almost exclusively on the economy, as it currently tends, cannot be authentically called "civilization"; we only talk about GDP, the risk premium, business returns or erratic an unpredictable fluctuation in the stock market. In the future, this old way of understanding the world and social relations will change.

10) Reducing the size of governments, the privatization of welfare, the philosophy of survival of the fittest, inevitably accentuate the gap between rich and poor, both between individuals and between states of world.

Given some of the ills that are coming, or that we are already suffering today, I dare to give a simple recipe to deal with them based on nine main points:

¹¹⁶An omnipresent, seemingly benevolent figure who represents the oppressive control over individual lives exercised by an authoritarian government. The practical applications of Big Brother are, for example: surveillance cameras, wiretapping, monitoring of Internet use, spy chips, digital facial recognition, etc. It is a way of referring to a government, ruler, or person in authority who has complete power and tries to control people's behavior and thoughts and limit their freedom.

a) Democracy must be implemented not as a set of formalities (direct and secret universal suffrage, existence of political parties, trade union and business organizations, more or less theoretical human rights ...) or legal provisions, but as the scrupulous respect for the ideology of others. Whether or not we agree with that ideology, we must recognize their inalienable right to expose and defend it. The electoral political debates and the parliamentary discussions, in the western world, are an evident sample of the opposite, with crossed fire between the interveners if not insults and reproaches. Each one should explain their proposals without underestimating those of the others and afterwards, the public will freely exercise their vote directed to the most convincing or that which best suits their own thinking.

b) The mass media must abstain and the competent authorities prohibit the dissemination of "fake news" as well as the projection of violent films regarding crimes, robberies, swindles, rapes and other criminal acts, which rather they seem, aimed at keeping the population scared with the adverse effect of their dangerous exemplarity. Large film or television production companies must comply with this or be exposed to criminal prosecution. The so-called "trash TV" should also be prohibited, understood as the set of television programs with vulgar content, the result of which leads to a simple model exclusively aimed at promoting the vain and the mundane, with excessive incidence on the personal and private tasks of famous characters. On the contrary, social achievements, art, technological advances, sports, educational or cultural programs, health councils and the performance of public works and social services for the benefit of the community should be publicized.

c) The current paradigm of western societies must be changed. It is not a matter of the state being the owner, being the owner of the three classic factors of production: land, labor and capital, allocating resources according to a collective, not individual, objective (central planning). This would imply the establishment of a strict communist regime, based on Marxist theories, whose failure is widely demonstrated. But it is also not convenient to fall to the other ultra-liberal extreme, which inexorably leads to the creation of great and painful social inequalities, pockets of poverty and concentration of power and wealth in very few hands. There is, precisely, the balancing role to be played by the social and democratic State of Law, controlling and standardizing the use and enjoyment of those productive factors, especially the first two. The third, understood as that set of investment goods: real estate, machinery and facilities intended for the production and marketing of goods or services, must continue to be managed autonomously by private initiative, although always subject to current regulations.

d) The social function of land ownership, both agroforestry and urban or industrial, must be accepted without reservation, regulating private property but without violating it. It is a matter of limiting the absolute and exclusive character of the property right -of liberal and individualistic inspiration- subjecting it to the common good. With this, it will seek to achieve an effective and responsible use

of land of any kind, that is, to harmonize private property with the social interest and avoid its commercialization without restrictions. Thus, for example, the capital gains generated by an administrative act -such as the approval of an urban plan that allows a land to go from rustic to developable- must revert to the community and not to private pockets, in all cases. In other words: any rustic land that is liable to become developable should be previously acquired by the public administration through an assessment subject to current legislation. The subsequent sale of this land to potential developers would allow regulating, not only the price of the land in the market, but also the final price of the houses (social or free) to guarantee universal access to it. We are not inventing anything, because this criterion has been applied, for a long time, in European countries such as England, Sweden or Finland, among others.

e) Agricultural lands must be protected in a special way as they are food producers or other primary materials and environmental conservators, so they will be considered essential elements of the socioeconomic system, and must ensure fair incomes to their owners and exploiters, not as it happens today, in many cases. On the other hand, teleworking and the greater desire for contact with nature will induce the migration to the countryside of many operators, for which reason the current urban regulations of many western countries, which have tended to favour human settlements in large cities with the excuse of better service provision must adapt to a new reality. This will focus, as long as there is a sufficient territorial base, towards a distribution of the masses of population and income in a more homogeneous, isotropic and diffused way throughout the territory, avoiding the creation of large unbalanced human concentrations, generating mountains of waste, demanding large amounts of water and energy, pollutants and with a high risk of disease transmission.

f) Everyone has the right to work. The right to work is the basis for the realization of other human rights and for a life in dignity. It includes the opportunity to earn a living through a freely chosen or accepted job. In the progressive realization of this right, States are obliged to guarantee the availability of technical and professional guidance, and to take appropriate measures to create an environment conducive to productive employment opportunities. States must guarantee non-discrimination in relation to all aspects of work. However, work cannot be reduced to simple merchandise with the enormous problems that unemployment entails and its enormous cost for the State itself. Certain essential services (health, food or medicine supply, social care, education...) must be protected from the cold laws of the market. To avoid the commoditization of work, everyone will have to be guaranteed a decent job, taking it out of the economic logic of profitability and complying with art. 23 of the Universal Declaration of Human Rights¹¹⁷. Therefore, an employment guarantee must be officially established.

¹¹⁷The Universal Declaration of Human Rights (UDHR) is a milestone document in the history of human rights. Drafted by representatives with different legal and cultural backgrounds from all regions of the world, the Declaration was proclaimed by the United Nations General Assembly in Paris on 10 December

g) The United Nations Organization recognizes and affirms the importance of the family, in its different forms, as a privileged place for education, and with the aim of raising awareness of issues related to the family. The importance of the family is that it is the first group to which an individual belongs; therefore, it is the first place where rules, thoughts, customs and reactions are learned; the family is an institution where values, behaviors and basic education are learned. It is also the place where we are born and grow, or find protection and security; it is the cell of society where people meet their needs for protection, company, food and health care. Therefore, it must be protected by the State.

h) There are many young people who think that everything will be given to them in life, as a misunderstood concept based on the education and facilities received from their parents. The culture of effort is expressed through one of the most notable values to achieve objectives: perseverance. Both concepts are complemented by other qualities, among which stand out: tenacity, commitment, discipline, passion and vocation. The power of this approach, which reconciles thought and proceeding, is that it places perseverance as conviction and lifestyle. Its application is necessary for those who make decisions with direct implications for citizens, but with extensible positive results. Making effort and sacrifice a citizen culture enhances development and improves, in every way, our quality of life and those around us. Those wise words of a great theologian come to mind here: "a victorious general celebrates victory, but he would not have won if he had not fought, and the greater the danger of the battle the greater was the joy of victory" (Saint Augustine, Bishop of Hippo: *Confessionum libri tredecim*, book VIII, chapter 3. No7).

i) It is necessary a spiritual or ethical rearmament of people regardless of their religious or agnostic beliefs. The economic crisis we are experiencing has moral and spiritual roots, being only the tip of the iceberg, which underlies a crisis of essential principles and values. At the genesis of the economic crisis are, among other factors, materialism and rampant liberalism, which is the seed of injustice, pain and suffering for so many people and families. Other factors are ethical relativism, which has swept away natural law and obscured the perception of what is good and bad, or selfish and hedonistic individualism, which forgets the relational or social dimension of the human race and leads it to close in on itself, in a small world to satisfy, above all, their own needs and desires, forgetting others.

The largest in the world have endeavored to present the revenues of his model to some citizens become customers and users of a system in crisis. We offer the one hand, having thaumaturgical of a borderless economy, free market, while one should forget the system that, as we have seen throughout this book, far from solving the existing problems, increases the pain divide between rich and poor countries. In the same basket of economic globalization have not been made or the

1948 (General Assembly resolution 217 A) as a common standard of achievements for all peoples and all nations. It sets out, for the first time, fundamental human rights to be universally protected and it has been translated into over 500 languages.

international regulation of labor market, there are the immigration laws that limit such movements, nor the tax harmonization and international labor or environmental compliance or the prohibition of child labor, or, in general, the globalization of human rights and their universal inalienable values.

However, the many negative effects of economic globalization and uneven progress are already beginning to emerge: it is time to remedy it and find a stable harmony between collectivization, central planning and total control of the state (communism) and the savage empire of private initiative (ultra-liberalism), both of which tend to turn mere rulers of democratic nations into puppets.

Nor would the financial internationalization why redistributive difficult tasks of public authorities, under the fallacious argument that it is incompatible with modernity, which is a globalized world. As the prof. V. Navarro, we see that in our country, for example, increased social inequality, a direct result of regressive tax policies and social spending cuts in relative terms (expressed as a percentage of GDP), is being justified by the need to make the Spanish economy more competitive in a globalized world, without regard to other European countries that are much more globalized than ours (such as Sweden, Finland, Holland and Norway) and are now openly following successful redistributive policies.

With regard to globalization, people start to think that it would not be too bad, for example, to give effect to the globalization of the demands and promises that have made themselves the most disadvantaged of the world. And promises that came upon us Corporate Globalization: as the market equilibrium (in fact, has only fathered a tremendous imbalance in favor of the center) and greater equity in investment (which are turning in masse towards developed and emerging countries, which are precisely those who least need them).

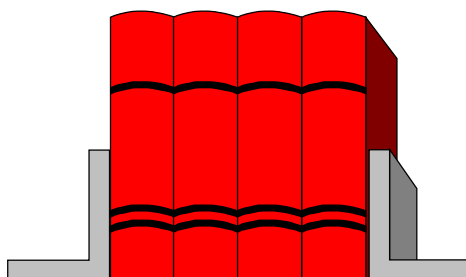
It is true that, in order to overcome the international economic crisis, it is necessary to guarantee the stability of the international monetary and financial system. But this is unthinkable until poverty is reduced which affects the system because it limits the growth and exacerbates the already huge gap between countries in the world. The valuation of the whole must be in terms of general prosperity, especially those most in need, not based on a few, rather few.

If we take history as our guide, we would expect that the global free market will soon belong to an irretrievable past. Like many other utopias of the twentieth century, the laissez-faire global with their victims, can be swallowed by the deep and dark hole of historical memory.

But we must be optimistic and think that it is also possible that in the relatively near future, the globalization of economic and financial activities, if not disappear altogether, is based on democratic bases and controls and be found based on the basic principles of solidarity, equality and social justice, not as at present.

As is also possible that, despite everything, the person concerned and fallacious dream of economic globalization, which currently seems to take his back long and fierce wind of modernity, in the future is very little. Especially when the people and their leaders will definitely fall in the account of where and who really benefits leads.





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