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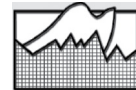
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# Time for a New Paradigm

By Sharan Burrow



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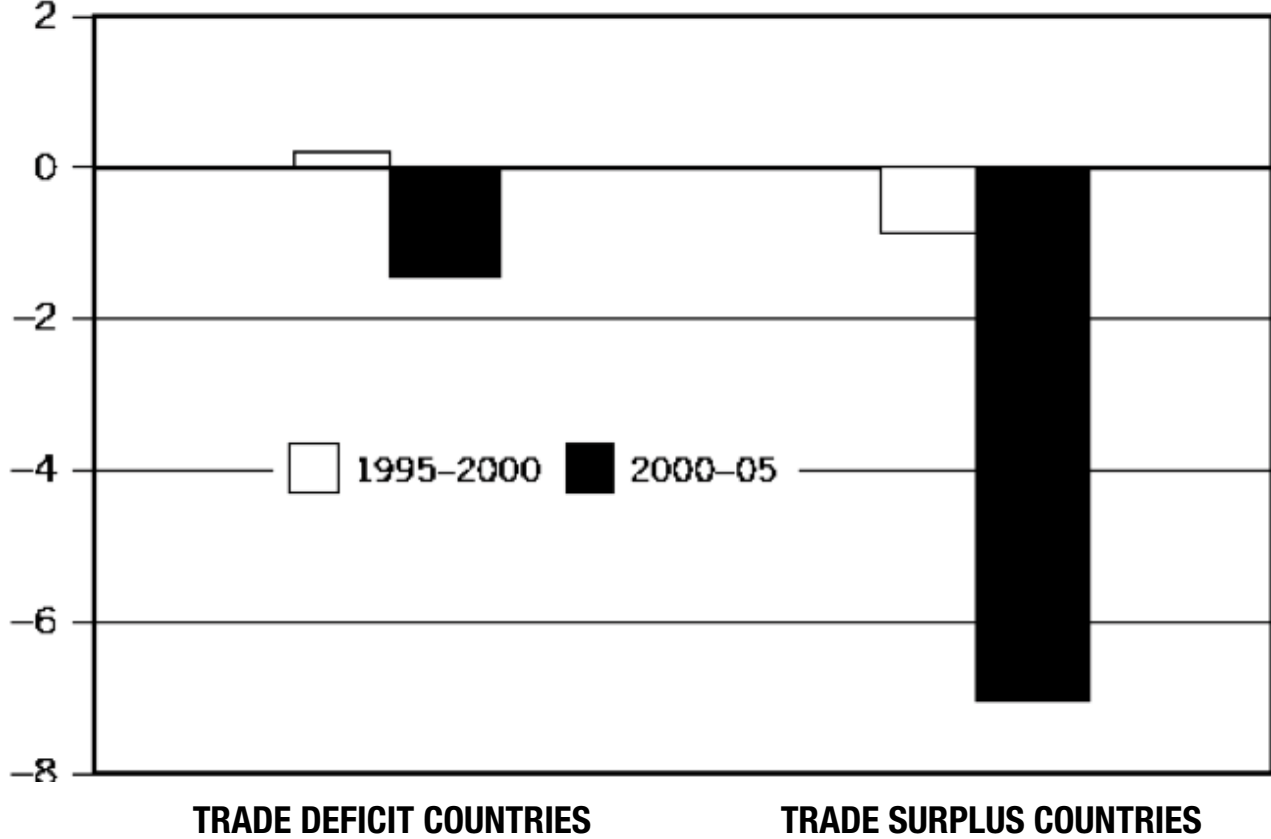
These are truly times for anger.

The world is barely re-emerging from the deepest economic crisis in a century, yet the very policies and mindset that caused the problem in the first place are back with a vengeance. Indeed, the world economy risks sliding back into crisis as dangerously short-sighted policies are put into place. The brave words of reform from world leaders in the G20 meetings of 2009 are now largely forgotten and have been replaced with the old scriptures of fiscal consolidation and calls to address the “fundamentals”.

And thus the world is fast slipping into a self-defeating round of “competitive austerity” where everyone seeks salvation from austerity at home through export-led growth. This is a strategy that might have worked for some for a time, but those days are gone: credit-driven consumption in a few key countries can no longer make up for the lack of wage-driven consumption worldwide.

Weakness in wage growth has been shown to be a prime cause of the crisis. This should come as no surprise: with globalization there has been a growing disconnection between wage growth and productivity. Whereas worker compensation rose in parallel with the improvement of productivity until the early 1980s, overly restrictive monetary policies, trade liberalization, labour market deregulation and employers’ strategies have combined since then to weaken this link. The consequences are now well documented: the share of labour income has dropped in

**Figure 1:** Change in wage share, 1995-2005



Source: World of Work Report 2010, ILO.

most countries, inequalities have increased almost everywhere, and consumption has been maintained in large part through credit.

What is worse is that since the 1990s the decline in labour’s share of income has been highly pronounced in countries with trade surpluses (see Figure 1). In other words, the winners of the new global trading system have not shared those gains with their workforce... This is profitable for some individual companies, but it is bad for overall growth and prosperity. Ultimately it is unsustainable.

With unemployment and household debt still high in some of the key jurisdictions in the world (including both the U.S. and Europe) and with governments engaging in counter-productive austerity, it is more urgent than ever to ensure that workers get their fair share. More than a moral issue, it is also the only way to extricate ourselves from the current macroeconomic mess.

We need a fundamental change in paradigm. First, jobs and decent work can no longer be some collateral by-product of economic policies geared to rolling out the red carpet to “investors”. Full employment has to become anew the central objective of economic policy, and it should be expected that governments use all their levers – fiscal, monetary, regulatory and industrial – to achieve it. In parallel, we need active policies to improve workers’ capacity to engage in collective bargaining to link wages to productivity growth once again.

All of this will require new “rules of the game” internationally. As it stands, the current international economic and financial system has given the upper hand to speculators and tax evaders, fostered instability and put the burden of economic adjustment on the parties that were already experiencing difficult times. As a result, the

fate of entire societies has not improved much over the past thirty years. This needs to change.

First, we need to reform the currency system to ensure that adjustment is not achieved mostly by deflating deficit countries, but through “reflating” surplus nations. In this way, the system would ensure that the adjustment led to more growth for all, not further wage and price depression. This idea is not new; it was first proposed by J.M. Keynes back in 1944 and has elicited renewed interest recently. Such a system would perhaps entail capital controls of some kind, but that would remain a lesser evil than the costs of disorder.

Second, we need new regulations on tax havens as well as on taxes on income and wealth. Controlling tax evasion and tax competition has to become a policy priority. At a time when the average working person is being asked to shoulder the bailout costs of the financial system, the least that can be asked is that all pay their fair share. Eliminating these loopholes is not nearly as complicated as some make it sound and would bring much needed resources into the fiscal purse. In the same spirit, the establishment of an international financial transactions tax to raise new resources would go a long way to make it possible for financially strapped governments to fund the necessary increase in Official Development Assistance to achieve the Millennium Development Goals (MDG) as well as the mitigation costs of climate change. It has been estimated that, for the United States alone, such a tax would conservatively raise in the neighbourhood of \$US170 billion, the equivalent of the entire funding of the MDG programme...

Last but not least, we need a renewed focus around the enhancement and respect of labour standards by all. When it comes to labour rights, the world faces a classic “free rider” problem. Now more than ever, it is essential to ensure a basic international social floor, that all countries endeavour to respect

basic standards and that competitive advantage does not come at the expense of the “over-exploitation” of workers. If it is true that “labour is not a commodity”, the manner in which we achieve economic prosperity is as important as the goal itself.

None of these ideas is particularly radical. What sets them apart from the current orthodoxy is that they give prominence to workers’ needs and aspirations, and pragmatically define a “high” road to economic development.

The experience of the last three years shows that departures from economic orthodoxy are feasible at times when the “establishment” is going through near-death experiences, but that this does not have a lasting effect. In hindsight, the brief flirt with Keynesianism when the financial system was on the brink of collapse only lasted as long as it was needed to save the banks.

If during the crisis workers’ organisations could have anticipated that a new era of dialogue had begun, the moment has clearly passed. Our social “partners” have left the restaurant and presented us with the bill: austerity, tax increases, wage concessions, increased precariousness, public sector retrenchment, cuts in public pensions, and so on.

If much of the solution to our problem is international, trade unionists will have to find ways to exert their power and influence internationally as we confront the consequences of the crisis.

Both opinion polls and the wave of strikes and protests in many countries show the growing discontent with one-sided and short-sighted policy solutions.

In times of anger, the moment is certainly not for business as usual...

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**Sharan Burrow** is General Secretary of the International Trade Union Confederation (ITUC). This article was published by [global-labour-university.org](http://global-labour-university.org) on 21 February 2011.

# What does wage-led growth mean in developing countries with large informal employment?

By Jayati Ghosh



The past decade has been one in which export-led economic strategies have come to be seen as the most successful, driven by the apparent success of two countries in particular - China and Germany. In fact, the export-driven model of growth has much wider prevalence as it was adopted by almost all developing countries.

This was associated with suppressing wage costs and domestic consumption in order to remain internationally competitive and to achieve growing shares of world markets as far as possible. Managing exchange rates to remain competitive, despite either current account surpluses or capital inflows, became one of the major elements of this strategy. This was associated with the peculiar situation of rising savings rates and falling investment rates in many developing countries, and to the holding of international reserves that were then sought to be placed in safe assets abroad.

This is related to a classic dilemma of mercantilist strategy, which is evident in exaggerated form for the aggressively export-oriented economies of today: they are forced to finance the deficits of those countries that would buy their products, through capital flows that sustain the demand for their own exports, even when these countries have significantly higher per capita income than their own. The flows of capital from China and other countries of developing Asia is an egregious example of this.

The strategy also generated fewer jobs than a more labour-intensive pattern based on expanding domestic demand would have done, which meant that employment increased relatively little, despite often dramatic rises in aggregate output. This is why, globally, the previous boom was associated with the South subsidizing the North: through cheaper exports of goods and services, through net capital flows from developing countries to the US in particular, through flows of cheap labour in the form of short-term migration.

The recent collapse in export markets halted that process for a while. Although there has been a recovery, it is very evident that such a strategy is unsustainable beyond a point. This is particularly true when a number of relatively large economies seek to use it at the same time. So, not only was this a strategy that bred and increased global inequality, it also sowed the seeds of its own destruction by generating downward pressures on price because of increasing competition as well as protectionist responses in the North.

So there are both external and internal reasons why it is hard to sustain such a strategy beyond a point. Externally, deficit countries will either choose or be forced to reduce their deficits through various means, and protectionist responses. Internally, the potential for suppression of wage incomes and domestic consumption will meet with political resistance. In either case, the pressures to find more sustainable sources of economic growth, particularly through domestic demand and wage-led alternatives, are likely to increase.

The process of global economic rebalancing was initiated by the financial crisis and is now likely to get accentuated through the current fragile recovery and potential instability of the near future. One important result is developing countries (and the surplus countries like China in particular) can no longer depend on exports to US as their primary engine of growth. The US trade deficit is set to shrink, and at a fundamental level it really does not matter whether this occurs through exchange rate changes, changes in domestic

savings and investment behavior or increased trade protectionism.

So countries must diversify their sources of growth, looking for other export markets as well as for internal engines of growth. This is what makes arguments for a shift in strategy towards domestic wage-led growth so compelling.

In developed countries with relatively strong institutions that can affect the labour market, including collective wage bargaining, effective minimum wage legislation and the like, it is probably easier to think of wage-led growth and strategies to allow wages to keep pace or at least grow to some extent) along with labour productivity growth. But what about most developing countries, where such institutions are relatively poorly developed and where many if not most workers are in informal activities, often self-employed? How are wage increases and better working conditions to be ensured in such cases? And what does a macroeconomic policy of wage-led growth entail in such a context?

In fact, it is still both possible and desirable to get wage-led growth in such contexts. There are five important elements of such a strategy in developing countries with large informal sectors:

Make the economic growth process more inclusive and employment intensive: direct resources to the sectors in which the poor work (such as agriculture and informal activities), areas in which they live (relatively backward regions), factors of production which they possess (unskilled labour) and outputs which they consume (such as food).

Ensure the greater viability of informal production, through better access to institutional credit to farmers and other small producers, greater integration into supply chains and marketing that improves their returns, and technology improvements that increase labour productivity in such activities.

http://www.vosizneias.com



Protesters carry carry a mock Taiwanese banknote with a slogan “Raise salary 5 percent” during a march in Taipei.

Provide increases in public employment that set the floor for wages (for example, in schemes such as that enabled by the National Rural Employment Guarantee Act in India) and improve the bargaining power of workers.

Provide much better social protection, with more funding, wider coverage and consolidation, more health spending and more robust and extensive social insurance programmes, including pensions and unemployment insurance.

Increase and focus on the public delivery of wage goods (housing, other infrastructure, health, education, even nutrition) financed by taxing surpluses.

The last point is often not recognized as a crucial element of a possible wage-led strategy, but it can be extremely significant. Furthermore, such a strategy can be used effectively even in otherwise capitalist export-oriented economies, as long as surpluses from industrialization and exports can be mobilized to provide wage goods publicly. Indeed, this has been an important and unrecognized feature of

successful Asian industrialization from Japan to the East Asian NICs to (most recently) China. The public provision of affordable and reasonably good quality housing, transport facilities, basic food, school education and basic healthcare all operated to improve the conditions of life of workers and (indirectly) therefore to reduce the money wages that individual employers need to pay workers. This not only reduced overall labour costs for private employers, but also provided greater flexibility for producers competing in external markets, since a significant part of fixed costs was effectively reduced.

What are the macroeconomic advantages of such a strategy? Quite apart from the obvious benefits in terms of reducing poverty, improving income distribution and the conditions of informal workers, there are positive implications for the growth process. It allows for more stable economic expansion based on increasing the home market, and need not conflict with more exports either. It encourages more emphasis on productivity growth, thereby generating a “high road” to industrialization.

Clearly, if countries in which the majority of the world’s population is concentrated are actually to achieve their development project in a sustainable way, new and more creative economic strategies have to be pursued. Wage-led growth, including through measures such as those outlined here, is likely to be an essential element of such strategies.

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# A new era of social justice based on decent work

By Juan Somavia



<http://www.vosizneias.com>

It is time to build a new era of social justice on a foundation of decent work.

Recent events flashing across the world's television screens have brought into sharp focus demands that have been brewing in the hearts of people: the desire for a decent life and a decent future based on social justice.

The fault lines of the global economy, apparent for a long time, are cracking open to reveal uncertainty and vulnerability, sentiments of exclusion and oppression and a lack of opportunities and jobs, made more painful by the global economic crisis.

Women and men without jobs or livelihoods really don't care if their economies grow at 3, 5 or 10 percent per year if such growth leaves them behind and without protection. They do care whether their leaders and their societies promote policies to provide jobs and justice, bread and dignity, freedom to voice their needs, their hopes and their dreams and the space to forge practical solutions where they are not always squeezed.

The reality is that people commonly judge whether society, the economy and the polity are working for them through the prism of work. Whether they have a job, or not, the quality of life it permits, what happens when they have no work or cannot work. In so many ways the quality of work defines the quality of society.

Yet the world of work is in tatters today: more than 200 million people are unemployed worldwide, including nearly 80 million youth, both figures are at or near their highest points ever. What is more, the number of workers

in vulnerable employment—1.5 billion—and the 630 million working poor living with their families at US\$ 1.25 a day or less is increasing.

At the same time, global inequalities are growing. The crisis has cut wage growth in half, reduced social mobility through work and trapped more and more people in low-paid jobs. Income gaps are growing in some countries. Youth face the increasing likelihood of never finding a decent job – the prospect of a lost generation looms. And the middle class often finds itself in the middle of nothing and going into reverse.

Achieving a fair globalization calls for a new vision of society and economy, with a balanced approach to the role of state, markets and society and a clear understanding of the possibilities and limitations of individual action in that framework. Action must go beyond simply recovering growth – we will not get out of the crisis with the same policies that led to it.

We need to move toward a new era of social justice. What will it take? In the world of work the steps are clear:

First, recognizing that labour is not a commodity, policies must be based on the human values of solidarity, dignity and freedom – labour is not just a cost of production. It is a source of personal dignity, family stability and peace in communities;

Second, make employment creation targets a central component of macroeconomic policy priority alongside low inflation and sound fiscal accounts;

Third, provide fiscally sustainable social protection to the eight out of 10 people who lack any form of social security in the world today, starting with a basic floor of universal social protection;

Fourth, recognize that fundamental rights at work and social dialogue which belong to the realm of human freedom and dignity are also instruments of enhanced productivity and balanced development;

Fifth, stimulate investment and investors in small enterprises, employment intensive sectors, inclusive labour markets and skills development;

As Tunisia and Egypt are showing us, jobs and justice, bread and dignity, protection and democracy, national and global security are not unrelated demands. What happens in the future will very much depend on whether the connections are recognized and acted upon.

Decent work makes the connections.

“Universal and lasting peace can be established only if it is based on social justice.” The cautionary words of the ILO’s 1919 Constitution resonate today.

It is indeed time to build an era of social justice on a foundation of decent work.

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**Mr. Juan Somavia** is Director-General of the International Labour Organization (ILO). This article is Mr. Somavia’s message on the World Day for Social Justice on 17 February 2011 (<http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2011/wdsj.pdf>).

# Nine months to deliver:

## tipping point to make development aid effective

By BetterAid, Open Forum

Days after officials at the OECD made plans towards the Fourth High Level Forum on Aid Effectiveness (HLF4), more than 80 representatives of civil society organizations (CSOs) from across the globe gathered in Sweden to develop their own strategy for the forum.

HLF4 will be held from November 29 to December 1, 2011 in Busan, Republic of Korea. It will assess if commitments of governments made in recent years have been achieved or not, and stands out as a key opportunity for governments to go beyond promises and to commit to more effective, sustainable development assistance in terms of its real impact on the lives of all women and men.

With global development needs rocketing following escalating global crises such as rising food and fuel prices, growing inequality, lack of sustainable jobs, and political unrest in Northern Africa, the issue of development effectiveness cannot be ignored anymore.

As a result of last week's civil society meeting in Harnosand, Sweden, BetterAid and Open Forum identified key messages to national governments as well as regional and international institutions.

Civil society voices for  
**Better Aid**

 Open Forum for CSO  
**Development Effectiveness**

Central to the concerns of both platforms is the shrinking political space for civil society, the multiple attacks on freedom of association, and the lack of participatory ownership of development at the national level in a growing number of countries.

Achieving full respect of human rights, gender equality, decent work and environmental sustainability should remain the ultimate goal for development effectiveness.

“Development effectiveness is about how best to help people help themselves in a sustainable way. It's not about the short-term results of stand-alone projects,” said Richard Ssewakiryanga from BetterAid and the Uganda National NGO Forum.

The Istanbul Principles for CSO Effectiveness, adopted in September 2010 and based on a global process of consultation in which hundreds

of CSOs participated, should be supported and governments should implement measures to create an enabling environment for civil society organisations as development actors in their own right.

“Governments and donors should make the strength of civil society an indicator of successful development cooperation,” said Ruben Fernandez from Open Forum and Asociación Latinoamericana de Organizaciones de Promoción (ALOP).

With multiple and escalating political and natural crises globally, it takes forward-thinking to commit to the kind of long term and sustainable development progress that BetterAid and the Open Forum are advocating for. The voice of the people must be heard and acted on in Busan.

# Libya Intervention threatens the Arab spring

By Phyllis Bennis

Despite its official UN-granted legality, the credibility of Western military action in Libya is rapidly dwindling.

Western air and naval strikes against Libya are threatening the Arab Spring.

Ironically, one of the reasons many people supported the call for a no-fly zone was the fear that if Gaddafi managed to crush the Libyan people's uprising and remain in power, it would send a devastating message to other Arab dictators: Use enough military force and you will keep your job.

Instead, it turns out that just the opposite may be the result: It was after the UN passed its no-fly zone and use-of-force resolution, and just as US, British, French and other warplanes and warships launched their attacks against Libya, that other Arab regimes escalated their crack-down on their own democratic movements.

In Yemen, 52 unarmed protesters were killed and more than 200 wounded on Friday, March 18 by forces of the US-backed and US-armed government of Ali Abdullah Saleh. It was the bloodiest day of the month-long Yemeni uprising. President Obama "strongly condemned" the attacks and called

on Saleh to "allow demonstrations to take place peacefully".

But while a number of Saleh's government officials resigned in protest, there was no talk from Saleh's US backers of real accountability, of a travel ban or asset freeze, not even of slowing the financial and military aid flowing into Yemen in the name of fighting terrorism.

Similarly in US-allied Bahrain, home of the US Navy's Fifth Fleet, at least 13 civilians have been killed by government forces. Since the March 15 arrival of 1,500 foreign troops from Saudi Arabia and the UAE, brought in to protect the absolute power of the king of Bahrain, 63 people have been reported missing.

Hillary Clinton, the US secretary of state, said: "We have made clear that security alone cannot resolve the challenges facing Bahrain. Violence is not the answer, a political process is."

But she never demanded that foreign troops leave Bahrain, let alone threatened a no-fly zone or



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targeted air strikes to stop their attacks.

## Legality vs. legitimacy

Despite its official UN-granted legality, the credibility and legitimacy of Western military action is dwindling rapidly, even in key diplomatic circles. For the Western alliance, and most especially for the Obama administration, support from the Arab League was a critical prerequisite to approving the military intervention in Libya.

The League's actual resolution, passed just a couple of days before the UN Security Council vote, approved a far narrower military option—essentially only a no-fly zone, with a number of stated cautions against any direct foreign intervention.

Of course, a no-fly zone is foreign intervention, whether one wants to acknowledge it or not, but it is not surprising that the Arab League's approval was hesitant—it is, after all, composed of the exact same leaders who are facing inchoate or massive challenges to their ruling power at home. Supporting the attack on a fellow dictator—oops, sorry, a fellow Arab ruler—was never going to be easy.

And as soon as the air strikes began in Libya, Arab League chief Amr Moussa immediately criticised the Western military assault. Some commentators noted the likelihood that Arab governments were pressuring Moussa out of fear of Libyan terror attacks in their country; I believe it is more likely that Arab leaders fear popular opposition, already challenging their rule, will escalate as Libyan deaths rise.

### **Overlooking the African Union**

Early on, the US had also identified support from the African Union (AU) as a critical component. But as it became clear that the AU would not sign on to the kind of attack on Libya contemplated in the UN resolution, the need for that support (indeed the AU itself) disappeared from Western discourse on the issue.

Shortly after the bombing began, the five-member AU committee on the Libya crisis called for an “immediate stop” to all the attacks and “restraint” from the international community.

It went further, calling for the protection of foreign workers with a particular reference to African expatriates in Libya (responding to reports of attacks on African workers by opposition forces), as well as “necessary political reforms to eliminate the cause of the present crisis”.

So within 48 hours of the bombing campaign's opening salvos, the US and its allies have lost the support of the Arab and African institutions the Obama administration had identified as crucial for going ahead.

Other countries turned against the attacks as well; the Indian government, which had abstained on the Security Council vote, toughened its stance, saying that it “regrets the air strikes that are taking place” and that implementation of the UN resolution “should mitigate and not exacerbate an already difficult situation for the people of Libya”.

The question remains, what is the end game? The UN resolution says force may only be used to protect Libyan civilians, but top US, British and French officials have stated repeatedly that “Gaddafi must go” and that he has “lost legitimacy to rule”. They clearly want regime change.

The military commanders insist that regime change is not on their military agenda, that Gaddafi is not “on a target list,” but there is a wink-and-a-nod at “what if” questions about a possible bombing “if he is

inspecting a surface-to-air missile site, and we do not have any idea if he is there or not”.

### **What you ask for ain't always what you get**

There is no question Libya's opposition, like most of the democratic movements shaping this year's Arab Spring, wants an end to the dictatorial regime in their country.

Unlike the democratic movements in neighbouring countries, the Libyan movement is fighting an armed military battle, something approaching a civil war, against the regime's forces.

That movement, facing a ruthless military assault, has paid a far higher price in lost and broken lives than the non-violent activists in the other democratic uprisings, and even with components of the military joining them, they were out-gunned and desperate. So it is not surprising that they pleaded for international support from the powerful countries and institutions most able to provide immediate military aid, even if that aid ultimately threatened their own independence.

But, what they got was probably way more than even the Libyan opposition itself anticipated. And despite the exultation over the first downed tanks, questions loom.

What if some kind of stalemate leaves Libya divided and military attacks continuing? What if the opposition realises that

negotiations (perhaps under the auspices of newly democratising Egypt and Tunisia) are urgently needed, but cannot be convened because the US and French presidents have announced that the Libyan leader has no legitimacy and cannot be trusted?

And what if, as earlier US-imposed no-fly zones (both unilateral and UN-endorsed) have experienced, the attack leads to rising numbers of civilian casualties, killed by Western coalition bombs and an escalating, rather than diminishing, civil war? What then?

The UN resolution clearly is looking ahead to just such an eventuality. It calls on the secretary-general to inform the UN Security Council of all military actions, instructing him to “report to the Council within seven days and every month thereafter”.

The UN, at least, seems to be preparing for another long war—that could last far longer than this year’s Arab spring.

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**Phyllis Bennis** is director of New International at the Institute for Policy Studies in Washington, D.C. This article was published on IPS-DC.org ([http://www.ips-dc.org/articles/libya\\_intervention\\_threatens\\_the\\_arab\\_spring](http://www.ips-dc.org/articles/libya_intervention_threatens_the_arab_spring)) on 22 March 2011.

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## JAPAN: vulnerability and uncertainty prevail in wake of nuclear disaster

By Suvendrini Kakuchi

TOKYO, Mar 22, 2011 (IPS) - Accidents at four nuclear power reactors hit by the earthquake and tsunami in Fukushima have left thousands of residents in the vicinity facing an uncertain future as they prepare for evacuation orders to protect them from dangerous radiation contamination.

Fear and anger at the growing vulnerability of their situation have also hardened public opposition to nuclear power in Japan, with more people calling for a review of Japan’s much touted safety technology and policies supporting alternative energy sources.

Nuclear power from 54 operating reactors provides 30 percent of local energy needs. Coal, oil and other sources provide the rest. Japan, a

resource-poor country, has staked its economic future on nuclear power. Given its almost negligent carbon dioxide emissions, nuclear power is becoming more important in light of climate change as well.

In a blow to Japan’s nuclear industry, Katsutaka Idogawa, mayor of Futabacho, a hamlet that borders the Daiichi Fukushima power plant, told the press Tuesday that it is high time the local population begins to move away from its dependency on the nuclear plant that they host.

“The disaster has shown us we must review our policy of accepting the nuclear power plant. We must develop new ideas to have other industries to bring us a stable economy,” he said in an article

published by the Asahi Newspaper, a leading daily.

The 7,000 people of Futabacho are, however, involved with the Daiichi Fukushima nuclear power plant—employed either as workers or in other operations. The village is located 10 kilometres away from the 20-kilometre exclusion zone demarcated by the government.

The latest count of people leaving Fukushima numbers 25,000, according to local authorities. They join the overall 350,000 evacuees leaving other badly damaged areas to restart their lives in other localities that have begun accepting the disaster displaced populations.

Ayako Ooga, 38, and her husband are one of the affected families.

The couple who live in Ookumamachi, just six kilometres from the Fukushima nuclear power plant, said they left the night of the quake that struck on Mar. 11—mostly because of fear about radiation contamination. “Our house was damaged but we have always been more concerned about safety of the nuclear plant. With the accident we face a bleak future,” she told IPS.

Ooga, however, says she supports the statements made by Idogawa, mostly because he voiced opposition to supporting nuclear power and illustrated sharply the anxiety and suspicion in the community that is in the process of evacuating.

“I found some hope when Idogawa explained he would lead the evacuation which means so much to us now,” she said. Ooga is from a farming community and had just built a new home which she wonders now whether she will ever be able to visit.

Idogawa said he would lead the first batch of 1,500 people from his village who will settle down in Saitama prefecture, a northern border town of Tokyo. He also said his decision will pave the way for the rest of the community to join them and start their lives again as before till they can return together.

Experts explain the relocation process is always painful for people and is especially so for the thousands who must leave for safety from the threat of radiation contamination and face the

probability of not being able to return for a long time.

“The situation is a human tragedy,” said professor Toshikata Katada, a disaster expert at Nagoya University. Katada, who has covered the earthquake prone region to develop hazard maps and other emergency measures for several decades, explained on television the experts had just not been prepared.

“Our preparedness showed us how knowledge is pitted against the vagaries of nature. This time we see how nature won,” he said.

Reports released Tuesday indicate radiation levels are 1,600 times the normal level 20 kilometres from the crippled Fukushima plant, according to the International Atomic Energy Agency (IAEA).

IAEA experts arrived in Tokyo Friday after controversy erupted over differing radiation readings released by the Japanese government and foreign counterparts—raising suspicion that authorities may have created panic in some cities where people wiped out food supplies overnight.

Another alarming development was released today when the government said it detected high levels of radioactive material in seawater near the Fukushima power plant fanning concern over fishery products from the area.

Tokyo Electric Power Company reported radioactive material was

detected Monday in the seawater samples at levels 126.7 times higher than the legal concentration limit. Levels of cesium 137, a radioactive material which can be dormant in the air for over 30 years, was 16.5 times higher than the limit, while trace amount of cobalt 58 was detected in a sample of seawater near the plant as well.

Already, spinach and milk from farms in Fukushima are showing high radiation levels and will not be allowed for consumer sale.

The critical situation is causing anxiety in areas where other plants are located as well. Chubu Electrical Power Company that operates the Hamaoka nuclear power plant in Omaezaki, Shizuoka prefecture, 150 kilometres south of Tokyo—also identified as a quake prone area—announced Tuesday that it will get an emergency diesel generator in case of power loss due to tsunami.

Meanwhile, local residents express alarm at the situation which is still out of hand in Fukushima more than a week after the earthquake hit. Minoru Ito, a local activist, told IPS that his phone keeps ringing as people keep calling him wondering what they should do now. “The ongoing tragedy in Fukushima sends chills down our spines,” he says.

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This article was published by IPS News (IPSNews.net) on 22 March 2011.

# Uniting to Lose Our Chains:

## The International Festival for Peoples' Rights and Struggles

By IFPRIS Secretariat

Resistance movements are sweeping the globe in response to the global crisis of the world capitalist system.

Protests and strikes against austerity measures have spread across Europe (from Greece and Ireland to France and Britain), South Africa, India, Thailand, and the Philippines. Food riots and protests against rising food prices have been reported in Algeria, Morocco, Mozambique and Chile.

In North Africa and the Middle East, people's longstanding anger against repression, corruption and foreign (particularly US) intervention has combined with the economic crisis to set off popular revolts in one country after another. The political crisis in Tunisia, Egypt, Jordan, Yemen, Algeria, Bahrain, Iran, Djibouti, Bahrain and Libya are still unfolding with repercussions across the globe.

Amidst this panorama of people's resistance worldwide, workers, peasants, women, indigenous peoples, migrants, artists, youth and other sectors and from across the globe are gathering in Manila for the International Festival of People's Rights and Struggles (IFPRIS) from July 4-6, 2011. IFPRIS will be held in various venues within the University of

the Philippines Diliman campus in Quezon City.

The IFPRIS is a space for peoples from Asia and the Pacific, Africa, North America, Europe and Latin America and the Middle East to learn, share and interact with one another on the issues and challenges to the livelihoods, rights and liberties that they confront.

It is also an occasion to celebrate the victories and lessons of people's struggles all over the world. The IFPRIS offers a wide range of opportunities for learning and networking with simultaneous forums, workshops, strategy sessions, book launches, film showings and exhibits.

It is jointly organized by the Bagong Alyansang Makabayan

(BAYAN), Concerned Artists of the Philippines, Habi Arts, IBON, International Migrants Alliance (IMA), International Women's Alliance (IWA), League of Filipino Students, Peace for Life, Peoples' Action Network, People's Coalition on Food Sovereignty (PCFS), People's Movement on Climate Change (PMCC), RESIST, and the UP College of Mass Communications.

The Festival shall have a common opening (see program below) on the morning of July 5, with keynote addresses from Francois Houtart, Leila Khaled and Ramsey Clark, plus panels of experts on people's rights and struggles.

For inquiries please email the IFPRIS Secretariat at [tlauron@ibon.org](mailto:tlauron@ibon.org).





## Among the Major Activities in the IFPRIS are:

Seminar on the US War on Terror and Counterinsurgency  
(July 5, afternoon)

This Seminar shall examine the US post-Cold War National Security Doctrine, the various dimensions and forms of US Intervention overseas, the latest version of its Counterinsurgency Doctrine and its impacts and implications on the rights of peoples in various countries.

Seminar on People's Resistance and Struggles for Liberation  
(July 6, afternoon)

This Seminar shall feature testimonies from leaders, activists and representatives of liberation movements from around the world including Egypt, Tunisia, Palestine, and others. See proposed program below.

Workshop on the Permanent People's Tribunal (July 6, morning)

This workshop shall highlight recent and ongoing complaints brought to the Permanent Peoples' Tribunal (PPT) regarding violations of human rights and rights of peoples. The PPT is a prestigious international opinion tribunal, independent from any State authority that examines and judges cases that are submitted by the victims themselves or groups representing them.

Making sense of the global crisis and new world disorder: challenges and opportunities for peoples' struggles and alternative (July 6, afternoon)

The colloquium is an opportunity for people's movements, NGOs, activists and other progressive forces to gain a deeper understanding of the global crises in food, climate and finance amidst the shifting international political and economic order.

International Women's Alliance (IWA) General Assembly (July 5-6)

The International Women's Alliance (IWA), founded in Montreal in August, 2011 by 68 women's organizations, associations, alliances and individuals from across the globe will hold its First General Assembly with the theme "Building a Militant Women's Alliance in the 21st Century." The IWA

as an anti-imperialist, anti-patriarchal, anti-racist and anti-sexist alliance is committed to advancing a militant global women's movement as part of the movement for national and social liberation.

International Conference on Progressive Culture: Peoples' Art: Shaping the society of the future (July 4-6)

A unique opportunity for creative people from around the world to come together, share their work, and discuss the role of art in the struggle for fundamental social change. There will also be an exhibit, film showing, workshops, and a Kafe' Kultura -a space for jamming, mural painting, sculpting, social media, and more!

The Global Movement of Migrants: Current Situation and Resistance against Imperialist Attacks (July 5)

A forum to generate in-depth discussion on the situation of migrants around the world amidst the current global crisis. The forum also brings into light the various forms of resistance of the global movement of migrants against the attacks of the proponents of neo-liberal globalization."

International Panel Discussion on US Foreign Military Bases (July 6)

A forum that highlights how the peoples' struggle to dismantle overseas US military bases from all countries in the world has become especially important in the light of the global economic depression and the consequent intensification of global political conflicts. Sharing from people's actions from the Asia and Oceania, Arab region, Latin America and Europe.

Peoples' Speak Out for Right to Land and Life Organized by the Peoples' Coalition on Food Sovereignty (July 6 afternoon)  
The Peoples' Speak Out will highlight the struggle for land and life, especially amid the food crisis and intensifying land grabbing. The Speak Out will be followed by a peoples' march to the Department of Agrarian Reform (DAR) which is the only mass action activity during the IFPRS.

# Wisconsin Awakens a Sleeping Giant

As Wisconsin's attack on workers spreads to other states, so does the historic uprising that began in Madison.

By Sarah van Gelder and Brooke Jarvis



In one sense, the struggle over union rights in Wisconsin is over. It took some breathtaking, possibly even illegal, shenanigans, but the union-busting “Budget Repair Bill” has been passed, signed, and celebrated. In other ways, though, the weeks of historic protests in and around Wisconsin’s capitol were just the first act of what may prove to be a far longer—and larger—struggle.

Around the country, state governments are targeting union rights, workplace protection, social services, and the ability of middle-class and working poor to have a voice. But, in large part thanks to the momentum of the Wisconsin protests, they’re finding it difficult to do so quietly. In state after state, the Americans whose rights and services are being cut are rising up against the decades-long shift of wealth and power to corporations and the very wealthy.

## Wisconsin Moves on to “Phase Two”

The passage of Wisconsin’s anti-union bill on March 10 came after weeks of protests, an extended occupation of the state capitol building, and the self-imposed exile of 14 Democratic senators, whose absence prevented a vote on the bill as it was originally drafted.

Following Thursday’s passage of the Wisconsin bill, hundreds of students in Madison’s middle and high schools walked out to join those demonstrating at the capitol. Then, in the largest protest since the bill was proposed, an estimated 100,000 people filled the streets and squares around the state capitol on Saturday, March 12. The Family Farm Defenders and the Wisconsin Farmers Union joined the protests, bringing more than 50 tractors with them.

“This is the beginning of phase two,” Fred Risser, one of the 14 Democratic senators, told the crowd.

He was referring to a rapidly growing campaign to recall eight GOP senators who supported the bill; the Wisconsin Democratic Party reported yesterday that over 45 percent of the necessary signatures have already been collected. Because Wisconsin law only

allows recalls of officials who have been in office at least a full year, Governor Scott Walker and other supporters of the bill are not yet eligible to be recalled—though opponents of the anti-union law are already laying the groundwork for a recall next year.

### Other States Target Workers' Rights

Though the weeks of demonstrations have focused national attention on Wisconsin, workers' rights are on the line in dozens of states across the country, and workers are fighting back. Newly elected Republicans in state legislatures and in the U.S. Congress are pressing—and in some cases, passing—deeply unpopular measures that target workers' rights to unionize and such basic protections as minimum wage laws.

The Ohio Senate has passed a bill that takes Wisconsin union-busting one step further, Reuters reports. The bill prohibits collective bargaining for nearly 62,000 workers and blocks 300,000 others (including firefighters, police, and public school teachers) from striking or negotiating about health care benefits. In Indiana, House Democrats, taking a cue from Wisconsin legislators, have left the state to prevent a vote on a bill that limits collective bargaining rights. Idaho has approved a measure to limit public school teachers' right to bargain collectively. Michigan is on track to approve a law that would allow the state to break union contracts. And union dues or collective bargaining are also on the line in Iowa, New Hampshire, Kansas, Tennessee, Colorado, Nebraska, Nevada, Oklahoma, New Hampshire, New Mexico, Washington, Alaska, and Arizona.

Nor are unions the only form of worker protection under attack. The Missouri House of Representatives has approved a bill that caps the state's minimum wage, even if the Consumer Price Index rises, essentially revoking a law that was passed just five years ago and supported by 76 percent of voters. Seven other states are considering similar bills, according to the Progressive States Network.

Other proposed measures would cut deeply into education funding, public safety, health care, and infrastructure maintenance. These bills are presented as necessary in order to balance state budgets, but recent state and federal tax giveaways to the wealthy make that a questionable claim.

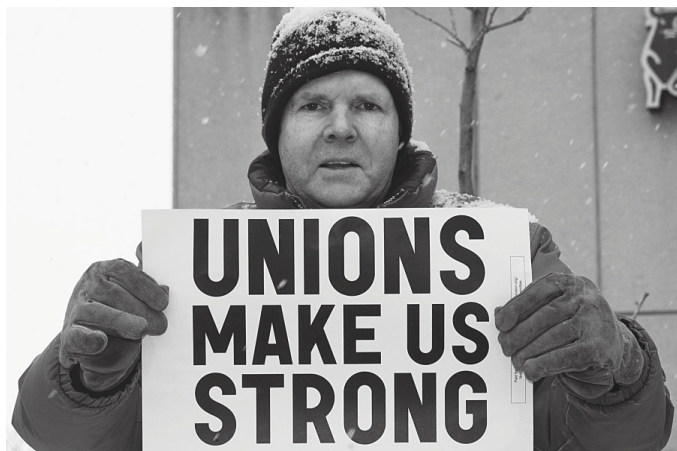
### Undermining the Political Power of the Working Class

Instead, this may be an example of what Naomi Klein describes in her book, *The Shock Doctrine*: Wealthy elites often use times of crisis and chaos to impose unpopular policies that restructure economies and political systems to their further advantage.

And many of these policies are deeply unpopular with the American public. Recent polls show that more than 60 percent of Americans believe that public employees should have the right to bargain collectively; that states should not be able to renege on pension commitments to retirees; that the minimum wage should be raised; and that tax breaks for wealthy Americans are a bad move. According to a recent Bloomberg poll, one of the reasons that "Americans reject Republican efforts to curb bargaining rights" is that they widely believe that union power is "is dwarfed by corporations."

Of course, the proliferation of anti-union bills isn't just an economic blow. Unions are a bulwark of political power on behalf of middle- and working-class Americans, a long-standing counterweight to the political influence of the wealthy. Not only do they give employees bargaining power within the workplace, they allow workers to join their voices to have some say in the political debate.

When union members' economic power is weakened, so is their political voice—a fact not lost on those leading the charge against them. As Wisconsin Senate Majority Leader Scott Fitzgerald, a leading proponent of the state's anti-union bill, noted in an interview with Fox News, "If we win this battle, and the money is not there under the



**Unions are a bulwark of political power on behalf of middle- and working-class Americans, a long-standing counterweight to the political influence of the wealthy.**

auspices of the unions, certainly what you're going to find is President Obama is going to have a much difficult, much more difficult time getting elected and winning the state of Wisconsin."

**A Sleeping Giant Wakes Up**

"If there is one good thing about this bill, it's that it has brought middle class workers together, made our unions stronger and our relationships closer," Mahlon Mitchell, the president of the Professional Firefighters of Wisconsin, said in an interview with YES! Magazine.

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**Sarah van Gelder and Brooke Jarvis** wrote this article for YES! Magazine, a national, nonprofit media organization that fuses powerful ideas with practical actions for a just and sustainable world. The piece was posted on YesMagazine.org (<http://www.yesmagazine.org/people-power/from-wisconsin-a-sleeping-giant-awakes>) on 15 March 2011.

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Photos by Jennifer Janviere (<http://www.flickr.com/photos/jenniferjanviere/>)

Indeed, all over the country, the attack on union rights has awakened a dormant class consciousness. "I think that what's happening in Wisconsin is sort of Ground Zero for workers," said Jane Cutter, a 47-year-old teacher who attended a Wisconsin solidarity rally in Seattle. "It's going to drive down wages and living standards for all different kinds of workers."

In the weeks since Wisconsin teachers and firefighters began occupying their state capitol, thousands of others have been inspired to make their opposition more vocal. Protests many times the size of the Tea Party demonstrations are spreading across the nation. Some are being organized by unions and their supporters; others, by MoveOn.org and Van Jones to "Defend the American Dream." Still others are part of US Uncut, which is organizing flash mobs to confront corporations that haven't been paying taxes. From Indiana to Ohio and Tennessee to Texas, workers are demanding to know why corporations and the wealthy get bailouts and tax breaks while teachers and steel workers bear the burdens of budget crises they didn't cause.

One of the farmers who rode through downtown Madison on his tractor summed it up on his handmade protest sign: "Walker woke a sleeping giant."

# Mondragón worker co-ops ride out global slump

By John Ballantyne



<http://www.flickr.com/photos/mondragoncorporation/>

Europe and the United States continue to suffer levels of economic stagnation and joblessness not seen since the 1930s. But the small town of Mondragón in the mountainous Basque region of northern Spain boasts an innovative business model which has successfully weathered the global economic downturn.

The Mondragón Co-operative Corporation is a network of co-operative firms, entirely owned and managed by the workers employed in them. It is commercially highly successful, exports quality manufactured goods around the world and boasts zero unemployment.

Worker self-managed enterprises, historically, have had a very mixed track record. They often start life, buoyed by the vision and enthusiasm of their founders, and enjoy a measure of success for a few years. All too often, however, the ideals of the founders fail to reproduce themselves in the next generation, and the enterprises lose their vitality.

Mondragón is altogether different. It has been operating successfully for 57 years, its workforce having grown from its original five founding members to its present labour force of 85,000 worker-owners employed in more than 120 co-operative enterprises.

Today's worker co-ops produce an impressive array of goods, including foodstuffs, computers, household appliances, refrigerators, ovens, vehicle parts and the celebrated Orbea bikes which won gold at the 2008 Beijing Olympics. Sixty per cent of Mondragón's output is exported.

This sounds almost too good to be true. Can worker self-management really be compatible with a commercially competitive business operation?

Some cynics dismiss the whole scheme as utopian without bothering to examine the evidence for Mondragón's undeniable success. Talk to them of worker ownership and they immediately dismiss the idea as being akin to socialism or, worse still, communism. Nothing could be further from the truth. Mondragón thrives in a competitive marketplace and has no government support. Its operations are

characterised by an absence of workplace conflict or strikes. Workers are not likely to take industrial action against entities they themselves own.

And, unlike the post-GFC [Global Financial Crisis – ed.] zombie banks of Wall Street, which have been put on government life-support to the tune of hundreds of billions of US taxpayer' dollars, Mondragón stands on its own feet and sponges off nobody.

Mondragón's business model has attracted favourable notice from respectable bodies such as the Peter F. Drucker Foundation, the Harvard International Review and Britain's conservative Daily Telegraph.

A worker, in order to become a member of a co-operative, must invest €13,400 (AUD\$18,400) in share capital. The sum accumulates interest over time and is repaid to the worker upon retirement. So, from day one, he or she has a financial stake in the success or failure of the enterprise.

Every worker has an equal vote. Joel A. Barker of the Drucker Foundation says: "The workers elect the board of directors and the board of directors hires the managers. This has a positive effect on the workers, because the people they elect are the people who hire their supervisors."

The co-ops are not cast adrift on the market without map or compass. Ready and eager to help them with their business plans is the Mondragón Corporation's own special-purpose community bank, the Caja Laboral. It produces up-to-date marketing forecasts for co-ops, provides low-interest finance to enable new co-ops to be launched, and makes available experienced staff from long-established co-ops to be mentors for newer ones.

In most of the corporate world, it is a sad fact that most new small business fail. In Mondragón, by contrast, most new enterprises succeed.

Barker observes: "The Mondragon bank ... always has the welcome mat out for anyone who wishes to

create more jobs. Because of this attitude and the great skills Mondragon has developed in nurturing start-ups, its entrepreneurial success rate has been 80 per cent! That is the failure rate for the rest of the world!"

Today, the Caja Laboral—which, like the Mondragón co-ops, started from humble origins—has grown to become one of Spain's major financial institutions. It has branches across the country, 1.2 million clients, a staff of 2,000, 21 billion euros worth of assets and 1.5 billion euros in equity.

Mondragón has its own university, made up of an engineering school, a technical school and what is now considered to be one of the best business studies programs in the Europe Union. It also owns, and invests heavily in, a number of research and development facilities.

Greg MacLeod, writing for the Harvard International Review (April 4, 2009), describes the secret of Mondragón's success in achieving its annual job-creation targets and ensuring job security for all its members.

He writes: "Most large global corporations... develop strategies to increase earnings through job reduction. Conventional corporate managers argue that a 'job creation' strategy necessarily leads to inefficiency and losses. But empirical testing suggests otherwise."

Individual co-operatives in Mondragón, observes MacLeod, are under "no legal obligation to retain workers, but jobs are effectively guaranteed". He says: "If there is a redundancy in one enterprise, the redundant workers have the right to available work in the other associated enterprises."

So, instead of workers being left to rot on the dole, they are speedily transferred to productive employment in other co-ops and assisted with retraining to enhance their value to the new enterprise.

This emphasis on constantly improving labour productivity also enhances the overall competitiveness of Mondragón's enterprises in the global marketplace. Mondragón's global director, Mr Josu Ugarte Arregui, says: "We can't offshore, so we have to keep climbing the technology ladder and improve core engineering here."

In order to ensure that workers should have a true sense of ownership of the enterprises in which they are employed, Mondragón's Caja Laboral bank prefers, wherever possible, to limit the size of individual co-ops. Once a co-op's membership approaches 500 worker-owners, the bank prefers to launch new co-ops rather than allow established ones to get any bigger. This is quite a contrast from the relentless process, seen in the rest of the corporate world, of economic mergers, acquisitions and takeovers.

According to Australia's Dr Race Mathews' classic work, *Jobs of Our Own: Building a Stake-Holder Society* (1999, republished in 2009), studies have consistently shown that workers in Mondragón feel a loyalty to their firms and are "prepared to make significant sacrifices where necessary in order for their co-operatives to remain in business".

Greater worker contentment on the factory floor means less need for supervision. An American political commentator, Carl Davidson, once observed that self-supervision was a competitive advantage for Mondragón. He wrote: "Not having a lot of supervisors to pay meant lower prices."

The relatively narrow pay differentials in Mondragón are a contrast to the vast pay differentials in many large Western corporations, where CEOs can pocket up to 400 times the pay of the lowest worker.

In Mondragón, top management seldom earns more than six times the income of the lowest-paid worker. "In reality", as Mondragón's global director Mr Ugarte points out, "it is just three times after tax."



<http://www.mondragon-corporation.com/>

**The relatively narrow pay differentials in Mondragón are a contrast to the vast pay differentials in many large Western corporations, where CEOs can pocket up to 400 times the pay of the lowest worker.**

In effect, if the top earner wants a raise, everyone in the co-op gets a raise.

It is true that some of Mondragón's high-flyers are enticed to work for outside corporations by the prospects of much higher salaries. However, an American writer Sergio Lub, who toured Mondragón two years ago, observed: "Sometimes a Mondragon manager leaves for a few years to work in a higher paid job; they often return. When I asked a senior executive why he stayed, he answered: 'It was an easy choice. Outside I may earn more money, but I would lose my community.'"

Ambrose Evans-Pritchard, international business editor of Britain's conservative *Daily Telegraph*, in a recent article in which he praised the Mondragón model, discussed the link between increasing economic inequality and the recent global slump.

He said: "The solidarity ethos has its allure given mounting research by the IMF and other bodies that the extreme gap between rich and poor was a key cause of the global asset bubble and financial crisis, as well as being highly corrosive for democracies. The GINI index of income inequality has reached

levels not seen since the 1920s across the West.” (UK Telegraph, February 16, 2011).

The Mondragón Co-operative Corporation (MCC) provides a comprehensive self-funded retirement income package for its workers, paid for partly out of direct worker contributions but also from the profits of the co-operatives themselves. The MCC used also to provide health care for all its workers until the late 1980s, when the Basque regional government took over that particular responsibility.

Who was the original brains behind Mondragón’s pioneering worker-owned co-operative enterprises? It wasn’t some high-flying MBA graduate from Harvard’s business school, but a humble Jesuit priest, Father Don José Arizmendiarieta (1915-1976). Arizmendiarieta was a farmer’s son, whose studies for the priesthood were interrupted by the 1936 Spanish Civil War. He edited a Republican-leaning trade union paper *Eguna*, was imprisoned by Franco’s Nationalists in 1937 and was lucky to avoid execution.

On his release he organised study groups and workshops for residents of the war-torn and impoverished Basque region of northern Spain. After World War II, he started an industrial apprentice school and taught young men the importance of applying Christian ethics and Catholic social principles to the running of business. In 1955, he encouraged five of his most promising students to buy a small factory that made paraffin-burning stoves. A year later they moved the enterprise to Mondragón, and from then onwards their pioneering experiment in Christian business practices and worker self-management began to take shape.

Today, Mondragón can no longer be dismissed as some well-intentioned but impractical scheme of limited relevance to the real world. By any standard, it has been a resounding success for a period of almost six decades. After the recent global economic meltdown, it deserves to be studied closely.

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John Ballantyne is editor of News Weekly. This article was published by News Weekly ([NewsWeekly.com.au](http://NewsWeekly.com.au)) on 19 March 2011.



# EDSA and the Philippine Economy: 25 years after

The 1986 People Power uprising in the Philippines created a moment of national unity and international credibility that could have been the starting point of real economic progress.

By Sonny Africa



<http://www.egguevarra.com>

**T**he anniversary of the first People Power in the Philippines is a time to reflect on how the nation is 25 years later. The 1986 People Power uprising after all was driven by a desire for political and economic democracy. Politically, Filipinos were emboldened to oppose the Marcos dictatorship upon years of determined struggle by Filipino activists. Economically, people saw that a handful of cronies and foreign elite were prospering amid high unemployment and widespread poverty.

However outside of appearances, there has been scant progress towards this democracy over 25 long years.

Economically, twenty-five years would have been long enough for the economy to take off. The 1986 People Power uprising created a moment of national unity and international credibility that could have been the starting point of real economic progress.

Sweeping genuine agrarian reform should have been done immediately while the landed families were on the defensive against a surging mass movement. This would have unleashed the country's agricultural potential, raised rural incomes and broken the back of peasant poverty. An industrialization program should have begun that preserved what domestic manufacturing existed and that phased the steady development of key and strategic industries. Foreign debts of the Marcos

administration should have been cancelled and the resources freed up poured into domestic education, health, housing and infrastructure.

Even just 10 to 15 years of progressive and nationalist policies since 1986 would have been enough to start building solid domestic economic foundations. Instead, 25 years of five post-Marcos administrations embraced and implemented free market policies of neoliberal globalization – trade and investment liberalization, privatization and deregulation. Economic growth, foreign investments and exports were treated as ends in themselves rather than the mere means to development that they are. Profits and commerce were hyped while the State's responsibility to deliver real social and economic development was disparaged.

The 7.2% annual growth in gross domestic product (GDP) in 2010 and the average 4.5% growth during the previous Arroyo administration from 2001-2009 are considerably faster than the average 3.9% growth in the period 1986-1991 under the first Aquino administration. Foreign direct investment (FDI) has markedly increased from US\$2.0 billion in 1986 (equivalent to 6.7% of GDP) to US\$23.6 billion in 2009 (14.5% of GDP). The value of exports rose from being equivalent to 16.2% of GDP in 1986 to average 46.1% of GDP over the decade 2000-2009.

Yet there has also been rising joblessness, persistently severe inequality and growing numbers of poor amid economic decline. The unemployment rate which averaged 10.6% in the pre-People Power uprising six-year crisis period 1981-1986 has even risen to average 11% in the period 2005-2010, according to IBON's estimates; this increase has only been camouflaged by a convenient redefinition of official unemployment in 2005. The 2.6 million unemployed Filipinos in 1986 increased to 4.4 million in 2010.

Inequality remains persistently severe. In 1985 the top 20% of families cornered 52.1% of total family income, leaving the bottom 80% to divide the remaining 47.9% between them. This has barely changed over the last 25 years and in 2009 the top 20% of families still claimed 51.9% of total family income (with the bottom 80% dividing the

remaining 48.1%). Also in 2009, the net worth of just the 25 richest Filipinos of US\$21.4 billion (Php1,021 billion at the prevailing exchange rate) was equivalent to the combined annual income of the country's poorest 11.1 million families or some 55.4 million Filipinos (computed with an average family size of five) of Php1,029 billion.

The number of poor is a bit more difficult to compare because of at least two changes in the methodology for estimating poverty in the country. The government officially counted 26.7 million poor Filipinos in 1985 rising to 30.9 million in 2000. A subsequent revision statistically reduced the 2000 estimate to 25.5 million with this rising, according to the same methodology, to 28.5 million in 2009. Yet another revision statistically reduced the official 2009 estimate to 23.1 million. In any case, in 2009 some six out of ten Filipinos were trying to survive on incomes of PhP82 or even much less per day for all their food and non-food expenses.

The explosion of optimism for change in 1986 was followed by decades of missed opportunities. There was likewise a burst of optimism in 2010 following the end of the nine-year Arroyo administration. Indeed the economic lessons are there to be learned and the next decades need not be more of the same. For now the optimism comes from the rising number of Filipinos wielding People Power not just in moments of revolt but also in daily and organized struggles for real social change. IBON Features

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**Sonny Africa** is Research Head at IBON Foundation, Inc.

# Europe's Austerity: Like Something Out of the Brothers Grimm

By Conn Hallinan



<http://www.first-news.blogspot.com>

- In the Greek town of Aphidal, people have stopped paying road fees. In Athens, bus and metro riders are refusing to cough up the price of a ticket. On Feb. 23, 250,000 Greeks jammed the streets outside the nation's parliament.
- The Portuguese nominated the protest song "A Luta E' Alegria" (The Struggle is Joy) for the Eurovision song contest and, when judges ignored it, walked out in protest. They also put 300,000 people into the streets of the country's major cities on Mar. 12.
- Liverpool bailed from a Conservative-Liberal scheme to supplement government funding with private funding when it found there wasn't any of either, and the British Toilet Association protested the closure of 1,000 public bathrooms across the country.

In ways big and small, Europeans from Greece to Portugal, from Britain to Bavaria are registering their growing anger with the relentless assault inflicted by government-imposed austerity programs.

Wages, working conditions and pensions that unions successfully fought for over the past half century are threatened by the collapse of banking systems caught up in a decade-long orgy of speculation that the average European neither took part in, nor profited from. Even the so-called "well off" workers of Bavaria, Germany's industrial juggernaut, saw their wages, adjusted for inflation, fall 4.5 percent over the past 10 years.

The narrative emanating from EU headquarters in Brussels is that high wages, early retirement, generous benefits, and a "lack of competition" has led to the current crisis that has several countries on the verge

of bankruptcy, including Ireland, Greece, Portugal and Spain. Now, claim the "virtuous countries"—Germany, the Netherlands, and Finland—it is time for these spendthrift wastrels to pay the piper or, as German Chancellor Andrea Merkel says, "do their homework."

It is an interesting story, a sort of Grimm's fairy tale for the 21st century, but it bears about as much resemblance to the cause of the crisis as Cinderella's fairy godmother does to the International Monetary Fund (IMF).

While each country has its own particular conditions, there is a common thread that underlines the current crisis. Starting early in the decade, banks and financial houses flooded real estate markets with money, fueling a speculation explosion that inflated an enormous bubble. In climate and culture, Spain and Ireland may be

very different places, but housing prices rocketed 500 percent in both countries.

The money was virtually free, with low interest rates on the bank side, and cozy tax deals cut between speculators and politicians on the other. That kept the cash within a small circle of investors. While Bavarian workers were watching their pay fall, German banks were taking in record profits and shoveling yet more capital into the real estate bubbles in Ireland and Spain. The level of debt eventually approached the grotesque. Ireland's bank debts, if translated into dollars, would be the equal of \$10 trillion.

The Wall Street implosion in 2008 sent shock waves around the world and popped bubbles all over Europe. While nations on the periphery of the European Union (EU) tanked first—Iceland, Ireland, Latvia, Romania, Hungary, and Greece, economies at the heart of the EU—Britain, Spain, Italy, and Portugal—were also shaken. According to the Financial Times (FT), total claims by European banks on the Greek, Irish, Italian, Spanish and Portuguese debts alone are \$2.4 trillion.

The European Union's (EU) cure for the crisis is a formula with a long and troubled history, and one that has sowed several decades of falling living standards and frozen economies when it was applied to Latin America some 30 years ago. In simple terms, it is austerity, austerity and more austerity until the bank debts are paid off.

There are similarities between the current European crisis and the 1981 Latin American debt crisis. "In both cases debts were issued in a currency over which borrowing countries had no control," says the FT's John Rathbone. For Latin America it was the dollar, for Europe the Euro. Secondly, there was first a period of easy credit, followed by a worldwide recession.

Bailouts were tied to the so-called "Washington Consensus" that demanded privatization, massive cuts in social services, wage reductions, and government austerity. The results were disastrous. As public health programs were eviscerated,

diseases like cholera reappeared. As education budgets were slashed, illiteracy increased. And as public works projects vanished, joblessness went up and wages went down.

"It took several years to realize that deflating wages and shrinking economies were inconsistent with being able to fully pay off debts," notes Rathbone. And yet the "virtuous" EU countries are applying almost exactly the same formula to the current debt crisis in Europe.

For instance, the EU and the IMF agreed to bail out Ireland's banks for \$114 billion, but only if the Irish cut \$4 billion over the next four years, raised payroll taxes 41 percent, cut old age pensions, increased the retirement age, slashed social spending, and privatized many public services. When Ireland recently asked for a reduction in the onerous interest rate for this bailout, the EU agreed to lower it 1 percent and spread out the payments, but only on the condition of yet more austerity measures and an increase in Ireland's corporate tax rate. The newly elected Fine Gael/Labor government refused.

To pay back its own \$152 billion bailout, however, the Greek government took the deal. But the price is more austerity and an agreement to sell off almost \$70 billion in government properties, including some islands and many of the Olympic Games sites.

But the "deal" will hardly repay the debt. Unemployment in Greece is 15 percent, and as high as 35 percent among the young. Wages have fallen 20 percent, pensions have been cut, and rates for public services hiked. Growth is expected to fall 3.4 percent this year, which means that Greece's debt burden is projected to increase from 127 percent of GDP to 160 percent of GDP by 2013. "Your debt will continue to increase as long as your growth rate is below the interest rate you are paying," economist Peter Westaway told the New York Times.

Austerity measures in Portugal and Spain have also cut deeply into the average person's income and made life measurably harder. In Spain, more than one in five workers are unemployed, and consumer spending is sharply off, dropping by a third this past

holiday season. Portugal is actually in worse shape. It has one of the slowest economic growth rates in Europe, a dead-in-the-water export industry, and a youth unemployment rate of over 30 percent.

In Britain, the Conservative-Liberal government has cut almost \$130 billion from the budget and lobbied for what it calls the “Big Society.” The latter is similar to George H.W. Bush’s “thousand points of light” and envisions a world in which private industry and volunteerism replaces government-funded programs. The actual result has been the closure of libraries, senior centers, public pools, youth programs, and public toilets. The cutbacks have been most deeply felt in poorer areas of the country—those that traditionally vote Labor, as cynics are wont to point out—but they have also taken a bite out of the Conservative Party’s heartland, the Midlands.

Conservative voters have organized demonstrations to save libraries in staid communities like Charlbury and to protest turning public woodlands over to private developers. According to retired financial officer Barbara Allison, there are 54 local voluntary organizations that run programs like meals on wheels in Charlbury. “We’re already devoting an awful lot of our time to charity and volunteers,” she told the FT. “Am I not doing enough? Is [Conservative Prime Minister] David Cameron going to volunteer?” In any case, as Labor Party leader Ed Miliband points out, how does Cameron expect people “to volunteer at the local library when it is being shut down?”

U.S. Treasury Secretary Timothy Geithner strongly endorsed the Cameron program last month and said that he “did not see much risk” that the cutbacks would impede growth. But even the IMF warns that the formula of treating debt as the central problem in the middle of an economic

recession has drawbacks. This past October an IMF study concluded “the idea that fiscal austerity stimulates economic activity in the short term finds little support in the data.”

But a massive program of privatization does mean enormous windfall profits for private investors and the banks and financial institutions that finance the purchase of everything from soccer fields to national parks. Those profits, in turn, fuel political machines that use money and media to dominate the narrative that greedy pensioners, lay-about teachers, and freeloaders are the problem. And austerity is the solution.

But increasingly people are not buying the message, and from Athens to Wisconsin they are taking their reservations to the streets. The crowd in Charlbury was a modest 200, and the tone polite. In Athens the demonstration drew 250,000 and people chanted “Kleptes,” or “thieves.” But the message in both places is much the same: we have had enough.

A bus driver in Athens told Australian journalist Kia Mistilis that his wages had been cut from 1800 Euros (\$2,500) a month to 1200 Euros (\$1,660). “There are more cuts coming into effect in the next three months, that’s why the protests are heating up. I am worried that my wages will be cut to 800 Euros (\$1,110) a month, and if that happens I don’t know how I will survive.”

But he has a plan. “The situation is reaching a climax,” he told Mistilis, “because working people know that the austerity measures go too far, and with the final rollout, they can’t survive. So there is nothing to do but protest,” adding, “You wait until next summer. The situation in Greece will explode.”

It is unlikely that Greece will be alone.

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**Conn M. Hallinan** is a columnist for Foreign Policy In Focus. This article was published in FPIF.org ([http://www.fpif.org/blog/europes\\_austerity\\_like\\_something\\_out\\_of\\_the\\_brothers\\_grimm](http://www.fpif.org/blog/europes_austerity_like_something_out_of_the_brothers_grimm)) on 17 March 2011.

# GASLAND

By Jeff Leins

A few years ago, an energy company approached Milanville, Pennsylvania resident Josh Fox with a proposition. In exchange for a cool \$100,000, the company would lease his land in order to drill beneath it and tap the Marcellus Shale, the “Saudi Arabia of natural gas.” Uneasy, Fox launched his own investigation into the matter and uncovers a horror show of appalling imagery and gaping industry loopholes.

As part of HBO’s excellent Summer Docs series and now an Oscar nominee, GasLand is as much an environmental wake-up call as the personal journey of Fox, a do-it-yourself filmmaker and “accidental detective” who begins his mission as a concerned citizen only to become a rogue crusader for awareness. A guerrilla-style opening introduces Fox in a rural expanse plucking a banjo and wearing a gas mask between two towering drills, a provocative picture that sets the tone for a powerful message.

With retro visual aids, Fox explains an extraction process that involves “fracking,” which sounds like “Battlestar Galactica” slang but is a shorthand term for hydraulic fracturing, or manufactured “minor earthquakes” made underground to release natural gas. But this unnatural method results in seepage that clearly contaminates nearby drinking water and creates toxic conditions for surrounding citizens, regardless of who signed a lease contract.

Some are terrified to show their face on camera, but those who share their story, along with jars of murky drinking water, tell of excruciating symptoms, such as headaches, loss of taste, and even brain damage. Sickly animals show significant weight and hair loss. But the shocking smoking gun comes when a lighter flame bends hauntingly towards a faucet stream before igniting the tap water into a ball of fire. It’s “fracking” outrageous.

The investigation expands to other towns across the country affected by natural gas drilling and onto New York where Fox seeks to expose the politics behind such shameful business

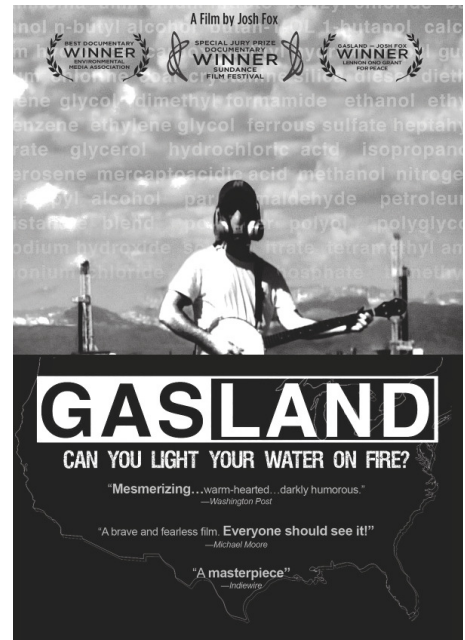
practices. An anonymous whistleblower spills insider details, stealth shots reveal unchecked pollution, and excerpts from the 2005 Energy Act reveal a disturbing oil and gas exemption dubbed “the Halliburton Loophole,” implicating a recurring face of political corruption, former Halliburton CEO and U.S. Vice President Dick Cheney. Of course, Fox is given the runaround when he probes for answers, illustrated by the end credits’ crawl of names and organizations who refused to comment.

Anecdotal evidence is sprinkled with sound research and mixed with loving shots of lush, uncorrupted American environments, all accompanied by lulling, often poetic voiceover that drives his points home. Fox’s methods are crude, even amateurish, but the story he uncovers is compelling enough to overshadow the film’s inconsequential flaws.

GasLand premiered on HBO in mid-2010 and was, coincidentally, timed with the BP oil disaster that spilled 4.9 million barrels into the Gulf of Mexico. In the aftermath, this eye-opening documentary is part of a global problem involving unchecked, unregulated industry and the corporations who display a flippant disregard for those people and places who become collateral damage in the pursuit of profit.



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**1,700,000**

NUMBER OF DISCOURAGED YOUTH EXPECTED TO BE IN THE LABOR FORCE BUT ARE NOT ACTIVELY SEEKING WORK

**77,700,000**

NUMBER OF UNEMPLOYED YOUTH, 73.5 MILLION HIGHER THAN IN 2007

**205,000,000**

NUMBER OF UNEMPLOYED GLOBALLY IN 2010, 27.6 MILLION HIGHER THAN IN 2007

**1,530,000,000**

NUMBER OF WORKERS IN VULNERABLE EMPLOYMENT\* IN 2009



**6.2%**

NUMBER OF WORKERS IN VULNERABLE EMPLOYMENT\* IN 2009

**39%**

PERCENTAGE OF WORKING POPULATION WORLDWIDE LIVING BELOW US\$2 A DAY

Compiled by James Bernabe

Source: ILO. Global Employment Trends 2011. Geneva: ILO, 2011.

\*Workers in vulnerable employment are own-account workers and contributing family workers. They are less likely to have formal work arrangements, and are therefore more likely to lack decent working conditions, adequate social security and 'voice' through effective representation by trade unions and similar organizations. Vulnerable employment is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights.