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#### The affirmative is confined to the dominant discourse of transnational capital. The affirmative buys into a system which produces unethical policy based on the short term logic of growth. This causes economic crisis and environmental destruction

Makwana 06 (Rajesh, STWR, 23rd November 06, <http://www.stwr.org/globalization/neoliberalism-and-economic-globalization.html>)

Neoliberalism and Economic Globalization¶ The goal of neoliberal economic globalization is the removal of all barriers to commerce, and the privatization of all available resources and services. In this scenario, public life will be at the mercy of market forces, as the extracted profits benefit the few, writes Rajesh Makwana.¶ The thrust of international policy behind the phenomenon of economic globalization is neoliberal in nature. Being hugely profitable to corporations and the wealthy elite, neoliberal polices are propagated through the IMF, World Bank and WTO. Neoliberalism favours the free-market as the most efficient method of global resource allocation. Consequently it favours large-scale, corporate commerce and the privatization of resources.¶ There has been much international attention recently on neoliberalism. Its ideologies have been rejected by influential countries in Latin America and its moral basis is now widely questioned. Recent protests against the WTO, IMF and World Bank were essentially protests against the neoliberal policies that these organizations implement, particularly in low-income countries.¶ The neoliberal experiment has **failed to combat extreme** **poverty**, has **exacerbated global inequality**, and is hampering international aid and development efforts. This article presents an overview of neoliberalism and its effect on low income countries.¶ Introduction ¶ After the Second World War, corporate enterprises helped to create a wealthy class in society which enjoyed excessive political influence on their government in the US and Europe. Neoliberalism surfaced as a reaction by these wealthy elites to counteract post-war policies that favoured the working class and strengthened the welfare state.¶ Neoliberal policies advocate market forces and commercial activity as the most efficient methods for producing and supplying goods and services. At the same time they shun the role of the state and discourage government intervention into economic, financial and even social affairs. The process of economic globalization is driven by this ideology; removing borders and barriers between nations so that market forces can drive the global economy. The policies were readily taken up by governments and still continue to pervade classical economic thought, allowing corporations and affluent countries to secure their financial advantage within the world economy.¶ The policies were most ardently enforced in the US and Europe in the1980s during the Regan–Thatcher–Kohl era. These leaders believed that expanding the free-market and private ownership would create greater economic efficiency and social well-being. The resulting deregulation, privatization and the removal of border restrictions provided fertile ground for corporate activity, and over the next 25 years corporations grew rapidly in size and influence. Corporations are now the most productive economic units in the world, more so than most countries. With their huge financial, economic and political leverage, they continue to further their neoliberal objectives.¶ There is a **consensus between the financial elite, neoclassical economists and the political classes** in most countries that neoliberal policies will create global prosperity. So entrenched is their position that this view determines the policies of the international agencies (IMF, World Bank and WTO), and through them dictates the functioning of the global economy. Despite reservations from within many UN agencies, neoliberal policies are accepted by most development agencies as the most likely means of reducing poverty and inequality in the poorest regions.¶ There is a **huge discrepancy** between the measurable result of economic globalization and its proposed benefits. Neoliberal policies have unarguably generated massive wealth for some people, but most crucially, they have been unable to benefit those living in extreme poverty who are most in need of financial aid. Excluding China, annual economic growth in developing countries between 1960 and 1980 was 3.2%. This dropped drastically between 1980 and 2000 to a mere 0.7 %. This second period is when neoliberalism was most prevalent in global economic policy. (Interestingly, China was not following the neoliberal model during these periods, and its economic growth per capita grew to over 8% between 1980 and 2000.)¶ Neoliberalism has also been unable to address growing levels of global inequality. Over the last 25 years, the income inequalities have increased dramatically, both within and between countries. Between 1980 and 1998, the income of richest 10% as share of poorest 10% became 19% more unequal; and the income of richest 1% as share of poorest 1% became 77% more unequal (again, not including China).¶ The shortcomings of neoliberal policy are also apparent in the well documented economic disasters suffered by countries in Latin America and South Asia in the 1990s. These countries were left with no choice but to follow the neoliberal model of privatization and deregulation, due to their financial problems and pressure from the IMF. Countries such as Venezuela, Cuba, Argentina and Bolivia have since rejected foreign corporate control and the advice of the IMF and World Bank. Instead they have favoured a redistribution of wealth, the re-nationalization of industry and have prioritized the provision of healthcare and education. They are also sharing resources such as oil and medical expertise throughout the region and with other countries around the world.¶ The dramatic economic and social improvement seen in these countries has not stopped them from being demonized by the US. Cuba is a well known example of this propaganda. Deemed to be a danger to ‘freedom and the American way of life’, Cuba has been subject to intense US political, economic and military pressure in order to tow the neoliberal line. Washington and the mainstream media in the US have recently embarked on a similar propaganda exercise aimed at Venezuela’s president Chavez. This over-reaction by Washington to ‘economic nationalism’ is consistent with their foreign policy objectives which have not changed significantly for the past 150 years. Securing resources and economic dominance has been and continues to be the USA’s main economic objective.¶ According to Maria Páez Victor:¶ “Since 1846 the United States has carried out **no fewer than 50 military invasions** and destabilizing operations involving 12 different Latin American countries. Yet, none of these countries has ever had the capacity to threaten US security in any significant way. The US intervened because of **perceived threats to its economic control** and expansion. For this reason it has also supported some of the region’s most vicious dictators such as Batista, Somoza, Trujillo, and Pinochet.”¶ As a result of corporate and US influence, the key international bodies that developing countries are forced to turn to for assistance, such as the World Bank and IMF, are major exponents of the neoliberal agenda. The WTO openly asserts its intention to improve global business opportunities; the IMF is heavily influenced by the Wall Street and private financiers, and the World Bank ensures corporations benefit from development project contracts. They all gain considerably from the neo-liberal model.¶ So influential are corporations at this time that many of the worst violators of human rights have even entered a Global Compact with the United Nations, the world’s foremost humanitarian body. Due to this international convergence of economic ideology, it is no coincidence that the assumptions that are key to increasing corporate welfare and growth are the same assumptions that form the thrust of mainstream global economic policy.¶ However, there are huge differences between the neoliberal dogma that the US and EU dictate to the world and the policies that they themselves adopt. Whilst fiercely advocating the removal of barriers to trade, investment and employment, The US economy remains one of the most protected in the world. Industrialized nations only reached their state of economic development by fiercely protecting their industries from foreign markets and investment. For economic growth to benefit developing countries, the international community must be allowed to nurture their infant industries. Instead economically dominant countries are ‘kicking away the ladder’ to achieving development by imposing an ideology that suits their own economic needs.¶ The US and EU also provide huge subsidies to many sectors of industry. These devastate small industries in developing countries, particularly farmers who cannot compete with the price of subsidized goods in international markets. Despite their neoliberal rhetoric, most ‘capitalist’ countries have increased their levels of state intervention over the past 25 years, and the size of their government has increased. The requirement is to ‘do as I say, not as I do’.¶ Given the tiny proportion of individuals that benefit from neoliberal policies, **the chasm between what is good for the economy and what serves the public good is growing fast**. Decisions to follow these policies are out of the hands of the public, and the national sovereignty of many developing countries continues to be violated, preventing them from prioritizing urgent national needs.¶ Below we examine the false assumptions of neoliberal policies and their effect on the global economy.¶ Economic Growth¶ Economic growth, as measured in GDP, is the yardstick of economic globalization which is fiercely pursued by multinationals and countries alike. It is the commercial activity of the tiny portion of multinational corporations that drives economic growth in industrialized nations. Two hundred corporations account for a third of global economic growth. Corporate trade currently accounts for over 50% of global economic growth and as much as 75% of GDP in the EU. The proportion of trade to GDP continues to grow, highlighting the belief that economic growth is the only way to prosper a country and reduce poverty.¶ Logically, however, a model for continual financial growth is unsustainable. Corporations have to go to extraordinary lengths in order to reflect endless growth in their accounting books. As a result, finite resources are wasted and the environment is dangerously neglected. The equivalent of two football fields of natural forest is cleared each second by profit hungry corporations.¶ Economic growth is also used by the World Bank and government economists to measure progress in developing countries. But, whilst economic growth clearly does have benefits, the evidence strongly suggests that these benefits do not trickle down to the 986 million people living in extreme poverty, representing 18 percent of the world population (World Bank, 2007). Nor has economic growth addressed inequality and income distribution. In addition, accurate assessments of both poverty levels and the overall benefits of economic growth have proved impossible due to the inadequacy of the statistical measures employed.¶ The mandate for economic growth is the perfect platform for corporations which, as a result, have grown rapidly in their economic activity, profitability and political influence. Yet this very model is also the cause of the growing inequalities seen across the globe. The privatization of resources and profits by the few at the expense of the many, and the inability of the poorest people to afford market prices, are both likely causes.¶ Free Trade¶ Free trade is the foremost demand of neoliberal globalization. In its current form, it simply translates as greater access to emerging markets for corporations and their host nations. These demands are contrary to the original assumptions of free trade as affluent countries adopt and maintain protectionist measures. Protectionism allows a nation to strengthen its industries by levying taxes and quotas on imports, thus increasing their own industrial capacity, output and revenue. Subsidies in the US and EU allow corporations to keep their prices low, effectively pushing smaller producers in developing countries out of the market and impeding development.¶ With this self interest driving globalization, economically powerful nations have created a global trading regime with which they can determine the terms of trade.¶ The North American Free Trade Agreement (NAFTA) between the US, Canada, and Mexico is an example of free-market fundamentalism that gives corporations legal rights at the expense of national sovereignty. Since its implementation it has caused job loss, undermined labour rights, privatized essential services, increased inequality and caused environmental destruction.¶ In Europe only 5% of EU citizens work in agriculture, generating just 1.6% of EU GDP compared to more than 50% of citizens in developing countries. However, the European Common Agricultural Policy (CAP) provides subsidies to EU farmers to the tune of £30 billion, 80% of which goes to only 20% of farmers to guarantee their viability, however inefficient this may be.¶ The General Agreement on Trade and Services (GATS) was agreed at the World Trade Organization (WTO) in 1994. Its aim is to remove any restrictions and internal government regulations that are considered to be "barriers to trade". The agreement effectively abolishes a government’s sovereign right to regulate subsidies and provide essential national services on behalf of its citizens. The Trade Related agreement on International Property Rights (TRIPS) forces developing countries to extend property rights to seeds and plant varieties. Control over these resources and services are instead granted to corporate interests through the GATS and TRIPS framework.¶ These examples represent modern free trade which is clearly biased in its approach. It fosters corporate globalization at the expense of local economies, the environment, democracy and human rights. The primary beneficiaries of international trade are large, multinational corporations who fiercely lobby at all levels of national and global governance to further the free trade agenda.¶ Liberalization¶ The World Bank, IMF and WTO have been the main portals for implementing the neoliberal agenda on a global scale. Unlike the United Nations, these institutions are over-funded, continuously lobbied by corporations, and are politically and financially dominated by Washington, Wall Street, corporations and their agencies. As a result, the key governance structures of the global economy have been primed to serve the interests of this group, and market liberalization has been another of their key policies.¶ According to neoliberal ideology, in order for international trade to be ‘free’ all markets should be open to competition, and market forces should determine economic relationships. But the overall result of a completely open and free market is of course market dominance by corporate heavy-weights. The playing field is not even; all developing countries are at a great financial and economic disadvantage and simply cannot compete.¶ Liberalization, through Structural Adjustment Programs, forces poorer countries to open their markets to foreign products which largely destroys local industries. It creates dependency upon commodities which have artificially low prices as they are heavily subsidized by economically dominant nations. Financial liberalization removes barriers to currency speculation from abroad. The resulting rapid inflow and outflow of currencies is often responsible for acute financial and economic crisis in many developing countries. At the same time, foreign speculators and large financial firms make huge gains. Market liberalization poses a clear economic risk; hence the EU and US heavily protect their own markets.¶ A liberalized global market provides corporations with new resources to capitalize and new markets to exploit. Neoliberal dominance over global governance structures has enforced access to these markets. Under WTO agreements, a sovereign country cannot interfere with a corporation’s intentions to trade even if their operations go against domestic environmental and employment guidelines. Those governments that do stand up for their sovereign rights are frequently sued by corporations for loss of profit, and even loss of potential profit. Without this pressure they would have been able to stimulate domestic industry and self sufficiency, thereby reducing poverty. They would then be in a better position to compete in international markets.¶

#### The impact is extinction

**Werlhof 08** (Claudia von Werlhof, Professor at the Institute of Political Sciences, University of Innsbruck, Austria. 2/1/08. "The Consequences of Globalization and Neoliberal Policies. What are the Alternatives?" Centre for Reseach on Globalization. www.globalresearch.ca/the-consequences-of-globalization-and-neoliberal-policies-what-are-the-alternatives/7973)

At the center of both old and new economic liberalism lies “self-interest and individualism; segregation of ethical principles and economic affairs, in other words: a process of ‘de-bedding’ economy from society; economic rationality as a mere cost-benefit calculation and profit maximization; competition as the essential driving force for growth and progress; specialization and the replacement of a subsistence economy with profit-oriented foreign trade (‘comparative cost advantage’); and the proscription of public (state) interference with market forces” (Mies 2005, p. 34). Where the new economic liberalism outdoes the old is in its global claim. Today’s economic liberalism functions as a model for each and everyone, all parts of the economy, all sectors of society, yes, of life/nature itself. As a consequence, the once “de-bedded” economy now claims to “im-bed” everything, including political power. Furthermore, a new, twisted “economic ethics” (and with it a certain idea of “human nature”) emerges that mocks everything from so-called “do-gooders” to altruism to selfless help to care for others to a notion of responsibility (Gruen 1997). This goes as far as claiming that the common good depends entirely on the uncontrolled egoism of the individual and, especially, on the prosperity of transnational corporations. The allegedly necessary “freedom” of the economy – which, paradoxically, only means the freedom of corporations – hence consists of a freedom from responsibility and commitment to society. In turn, the rational cost-benefit calculation aiming at maximized profit not only serves as a model for corporate production and the associated service industry and trade, but also for the public sector that has so far been exempted from such demands (in fact, it has historically been defined by this exemption). The same goes for the sector of reproduction, especially the household. The maximization of profit itself must occur within the shortest possible time; this means, preferably, through speculation and “shareholder value”. It must meet as few obstacles as possible. Today, global economic interests outweigh not only extra-economic concerns but also national economic considerations since corporations today see themselves beyond both community and nation (Sassen 2000). A “level playing field” is created that offers the global players the best possible conditions. This playing field knows of no legal, social, ecological, cultural or national “barriers” (Mies/Werlhof 2003, p. 24). As a result, economic competition plays out on a market that is free of all non-market, extra-economic or “protectionist” influences – unless they serve the interests of the “big players” (the corporations), of course. The corporations’ interests – their maximal “growth” and “progress” – take on complete priority. This is rationalized by alleging that their well-being means the well-being of small enterprises and workshops as well. The difference between the new and the old economic liberalism can first be articulated in quantitative terms: After capitalism went through a series of ruptures and challenges – caused by the “competition of systems”, the crisis of capitalism, post-war “Keynesianism” with its social and welfare state tendencies, internal mass consumer demand (so-called “Fordism”), and the objective of full employment in the North – the liberal economic goals of the past are now not only euphorically resurrected but they are also “globalized”. The main reason is indeed that the “competition of systems” is gone. However, to conclude that this confirms the victory of “capitalism” and the “golden West” over “dark socialism” is only one possible interpretation. Another – opposing – interpretation is to see the “modern world system” (which contains both capitalism and socialism, Wallerstein 1979, 2004) as having hit a general crisis which causes total and merciless competition over global resources while leveling the way for “investment” opportunities, i.e. the valorization of capital. The ongoing globalization of neoliberalism demonstrates which interpretation is right. Not least, because the differences between the old and the new economic liberalism can not only be articulated in quantitative terms but in qualitative ones too. What we are witnessing are completely new phenomena: Instead of a democratic “complete competition” between many small enterprises enjoying the “freedom of the market”, only the big corporations win. In turn, they create new market oligopolies and monopolies of previously unknown dimensions. The market hence only remains free for them, while it is rendered “unfree” for all others who are condemned to an existence of dependency (as enforced producers, workers and consumers) or excluded from the market altogether (if they have neither anything to sell or buy). About 50% of the world’s population fall into this group today, and the percentage is rising (George 2001). Anti-trust laws have lost all power since the transnational corporations set the norms. It is the corporations – not “the market” as an anonymous mechanism or “invisible hand” – that determine today’s rules of trade, for example prices and legal regulations. This happens outside any political control. Speculation with an average 20% profit margin (Altvater 2005) edges out honest producers who become “unprofitable”. Money becomes too precious for comparatively non-profitable, long-term projects, or projects that “only” – how audacious! – serve a good life. Money instead “travels upwards” and disappears. Financial capital determines more and more what the markets are and do (Altvater/Mahnkopf 1996). In fact, it has by now – through Nixon’s separation of the dollar from the gold standard in 1971 – “emancipated” from productive capital und forms its own “fiscal bubble” multiplying the money volume that is covered by the production of the many (Lietaer 2006, Kennedy 1990). Moreover, these days most of us are – exactly like all governments – in debt. It is financial capital that has all the money – we have none (Creutz 1995). The consequences of neoliberalism are: Small, medium, even some bigger enterprises are pushed out of the market, forced to fold or swallowed by transnational corporations because their performances are “below average” in comparison to speculation – rather: spookulation – wins. The public sector, which has historically been defined as a sector of not-for-profit economy and administration, is “slimmed” and its “profitable” parts (“gems”) handed to corporations (“privatized”). As a consequence, social services that are necessary for our existence disappear. Small and medium private businesses – which, until recently, employed 80% of the workforce and provided “normal working conditions” – are affected by these developments as well. The alleged correlation between economic growth and secure employment is false. Where economic growth only means the fusion of businesses, jobs are lost (Mies/Werlhof 2003, p. 7ff); If there are any new jobs, most are “precarious”, meaning that they are only available temporarily and badly paid. One job is usually not enough to make a living (Ehrenreich 2001). This means that the working conditions in the North become akin to those in the South and the working conditions of men akin to those of women – a trend diametrically opposed to what we have always been told. Corporations now leave for the South (or East) to use cheap – and particularly female – labor without “union affiliation”. This has already been happening since the 1970s in the “Free Production Zones” (FPZs, “world market factories” or “maquiladoras”), where most of the world’s computer chips, sneakers, clothes and electronic goods are produced (Fröbel/Heinrichs/Kreye 1977). The FPZs lie in areas where century-old colonial-capitalist and authoritarian-patriarchal conditions guarantee the availability of the cheap labor needed (Bennholdt-Thomsen/Mies/Werlhof 1988). The recent shift of business opportunities from consumer goods to armaments is a particularly troubling development (Chossudovsky 2003). It is not only commodity production that is “outsourced” and located in the FPZs, but service industries as well. This is a result of the so-called “Third Industrial Revolution”, meaning the development of new information and communication technologies. Many jobs have disappeared entirely due to computerization, also in administrative fields (Fröbel et al. 1977). The combination of the principles of “high tech” and “low wage”/“no wage” (always denied by “progress” enthusiasts) guarantees a “comparative cost advantage” in foreign trade. This will eventually lead to “Chinese salaries” in the West. A potential loss of Western consumers is not seen as a threat. A corporate economy does not care whether consumers are European, Chinese or Indian. The means of production become concentrated in fewer and fewer hands, especially since finance capital – rendered precarious itself – controls asset value ever more aggressively. New forms of private property are created, not least through the “clearance” of public property and the transformation of formerly public and small-scale private services and industries to a corporate business sector. This concerns primarily fields that have long been (at least partly) excluded from the logics of profit – e.g. education, health, energy, or water supply/disposal. New forms of so-called “enclosures” emerge from today’s total commercialization of formerly small-scale private or public industries and services, of the “commons”, and of natural resources like oceans, rain forests, regions of genetic diversity or geopolitical interest (e.g. potential pipeline routes), etc. (Isla 2005). As far as the new virtual spaces and communication networks go, we are witnessing frantic efforts to bring these under private control as well (Hepburn 2005). All these new forms of private property are essentially created by (more or less) predatory forms of appropriation. In this sense, they are a modified continuation of the history of so-called “original accumulation” (Werlhof 1991, 2003a) which has expanded globally following to the motto: “Growth through expropriation!” Most people have less and less access to the means of production, and so the dependence on scarce and underpaid work increases. The destruction of the welfare state also destroys the notion that individuals can rely on the community to provide for them in times of need. Our existence relies exclusively on private, i.e. expensive, services that are often of much worse quality and much less reliable than public services. (It is a myth that the private always outdoes the public.) What we are experiencing is undersupply formerly only known by the colonial South. The old claim that the South will eventually develop into the North is proven wrong. It is the North that increasingly develops into the South. We are witnessing the latest form of “development”: namely, a world system of underdevelopment (Frank 1969). Development and underdevelopment go hand in hand (Mies 2005). This might even dawn on “development aid” workers soon. It is usually women who are called upon to counterbalance underdevelopment through increased work (“service provisions”) in the household. As a result, the workload and underpay of women takes on horrendous dimensions: they do unpaid work inside their homes and poorly paid “housewifized” work outside (Bennholdt-Thomsen et al. 1988). Yet, commercialization does not stop in front of the home’s doors either. Even housework becomes commercially co-opted (“new maid question”), with hardly any financial benefits for the women who do the work (Werlhof 2004). Not least because of this, women are increasingly coerced into prostitution (Isla 2003, 2005), one of today’s biggest global industries. This illustrates two things: a) how little the “emancipation” of women actually leads to “equal terms” with men; and b) that “capitalist development” does not imply increased “freedom” in wage labor relations, as the Left has claimed for a long time (Wallerstein 1979). If the latter was the case, then neoliberalism would mean the voluntary end of capitalism once it reaches its furthest extension. This, however, does not appear likely. Today, hundreds of millions of quasi-slaves, more than ever before, exist in the “world system” (Bales 2001). The authoritarian model of the “Free Production Zones” is conquering the East and threatening the North. The redistribution of wealth runs ever more – and with ever accelerated speed – from the bottom to the top. The gap between the rich and the poor has never been wider. The middle classes disappear. This is the situation we are facing. It becomes obvious that neoliberalism marks not the end of colonialism but, to the contrary, the colonization of the North. This new “**colonization of the world**” (Mies 2005) points back to the beginnings of the “modern world system” in the “long 16th century” (Wallerstein 1979, Frank 2005, Mies 1986), when the conquering of the Americas, their exploitation and colonial transformation allowed for the rise and “development” of Europe. The so-called “children’s diseases” of modernity keep on haunting it, even in old age. They are, in fact, the main feature of modernity’s latest stage. They are expanding instead of disappearing. Where there is no South, there is no North; where there is no periphery, there is no center; where there is no colony, there is no – in any case no “Western” – civilization (Werlhof 2007a). Austria is part of the world system too. It is increasingly becoming a corporate colony (particularly of German corporations). This, however, does not keep it from being an active colonizer itself, especially in the East (Hofbauer 2003, Salzburger 2006). Social, cultural, traditional and ecological considerations are abandoned and give way to a mentality of plundering. All global resources that we still have – natural resources, forests, water, genetic pools – have turned into objects of “utilization”. **Rapid ecological destruction** through depletion is the consequence. If one makes more profit by cutting down trees than by planting them, then there is no reason not to cut them (Lietaer 2006). Neither the public nor the state interferes, despite global warming and the obvious fact that the clearing of the few remaining rain forests will irreversibly destroy the earth’s climate – not to even speak of the many other negative effects of such action (Raggam 2004). Climate, animal, plants, human and general ecological rights are worth nothing compared to the interests of the corporations – no matter that the rain forest is no renewable resource and that the entire earth’s ecosystem depends on it. If greed – and the rationalism with which it is economically enforced – really was an inherent anthropological trait, we would have never even reached this day. The commander of the Space Shuttle that circled the earth in 2005 remarked that “the center of Africa was burning”. She meant the Congo, in which the last great rain forest of the continent is located. Without it there will be no more rain clouds above the sources of the Nile. However, it needs to disappear in order for corporations to gain free access to the Congo’s natural resources that are the reason for the wars that plague the region today. After all, one needs petrol, diamonds, and coltan for mobile phones. The forests of Asia have been burning for many years too, and in late 2005 the Brazilian parliament has approved the clearing of 50% of the remaining Amazon. Meanwhile, rumors abound that Brazil and Venezuela have already sold their rights to the earth’s biggest remaining rain forest – not to the US-Americans, but to the supposedly “left” Chinese who suffer from chronic wood shortage and cannot sustain their enormous economic growth and economic superpower ambitions without securing global resources. Given today’s race for the earth’s last resources, one wonders what the representatives of the World Trade Organization (WTO) thought when they accepted China as a new member in 2001. They probably had the giant Chinese market in mind but not the giant Chinese competition. After all, a quarter of the world’s population lives in China. Of course it has long been established that a further expansion of the Western lifestyle will lead to global ecological collapse – the faster, the sooner (Sarkar 2001). Today, everything on earth is turned into commodities, i.e. everything becomes an object of “trade” and commercialization (which truly means “liquidation”: the transformation of all into liquid money). In its neoliberal stage it is not enough for capitalism to globally pursue less cost-intensive and preferably “wageless” commodity production. The objective is to transform everyone and everything into commodities (Wallerstein 1979), including life itself. We are racing blindly towards the violent and absolute conclusion of this “mode of production”, namely total capitalization/liquidation by “monetarization” (Genth 2006). We are not only witnessing perpetual praise of the market – we are witnessing what can be described as “market fundamentalism”. People believe in the market as if it was a god. There seems to be a sense that nothing could ever happen without it. Total global maximized accumulation of money/capital as abstract wealth becomes the sole purpose of economic activity. A “free” world market for everything has to be established – a world market that functions according to the interests of the corporations and capitalist money. The installment of such a market proceeds with dazzling speed. It creates new profit possibilities where they have not existed before, e.g. in Iraq, Eastern Europe or China. One thing remains generally overlooked: The abstract wealth created for accumulation implies the destruction of nature as concrete wealth. The result is a “hole in the ground” (Galtung), and next to it a garbage dump with used commodities, outdated machinery, and money without value. However, once all concrete wealth (which today consists mainly of the last natural resources) will be gone, abstract wealth will disappear as well. It will, in Marx’ words, “evaporate”. The fact that abstract wealth is not real wealth will become obvious, and so will the answer to the question which wealth modern economic activity has really created. In the end it is nothing but monetary wealth (and even this mainly exists virtually or on accounts) that constitutes a “monoculture” controlled by a tiny minority. Diversity is suffocated and millions of people are left wondering how to survive. And really: how do you survive with neither resources nor means of production nor money? The nihilism of our economic system is evident. The whole world will be transformed into money – and **then it will “disappear”.** After all, money cannot be eaten. What no one seems to consider is the fact that it is impossible to re-transform commodities, money, capital and machinery into nature or concrete wealth. It seems that underlying all economic “development” is the assumption that “resources”, the “sources of wealth” (Marx), are renewable and everlasting – just like the “growth” they create (Werlhof 2001 a). The treachery of this assumption becomes harder and harder to deny. For example, the “peak” in oil production has just been passed – meaning we are beyond exploiting 50% of all there is. Ironically though, it seems like the prospect of some resources coming to an end only accelerates the economic race. Everything natural is commercialized in dimensions not seen before, with unprecedented speed and by means of ever more advanced technology. The ultimate goal remains to create new possibilities of investment and profit, in other words: new possibilities of growth able to create new accumulation possibilities – future ones included. The material limits of such a politics become clearer day by day: the global ecological, economic, monetary, social, and political collapse (Diamond 2005) it inevitably leads to has already begun. “Global West End.” How else can we understand the fact that in times when civilization has reached its alleged zenith, a human being starves every second (Ziegler 2004)? How can such a politics be taken seriously? It is in every sense a crime. Unfortunately, the facade of trivial “rationality” – what Hannah Arendt called the “banality of evil” – behind which it operates, still makes it invisible to many. People do not recognize its true character. This is a result of the enormous crisis of spirit and soul that accompanies the material crisis that many of us remain unaware of; namely, the annihilation of matter through its transformation into commodity, which we, in delusion, call “materialism” (I call it “patriarchy”, Werlhof 2001 a). The original richness of mat(t)er (“mother earth”) is now giving way to a barren wasteland that will remain unrecognized by many as long as their belief in “progress” will block their views. The last phase of patriarchy and capitalism is not only without sense but it will soon be without life as well: kaputalism. It seems impossible not to ask oneself how the entire economy came to follow one motive only: the monism of making money. Especially since this does not only apply to the economy, but also to politics, science, arts and even our social relations. The notion that capitalism and democracy are one is proven a myth by neoliberalism and its “monetary totalitarianism” (Genth 2006). The primacy of politics over economy has been lost. Politicians of all parties have abandoned it. It is the corporations that dictate politics. Where corporate interests are concerned, there is no place for democratic convention or community control. Public space disappears. The “res publica” turns into a “res privata”, or – as we could say today – a “res privata transnationale” (in its original Latin meaning, “privare” means “to deprive”). Only those in power still have rights. They give themselves the licenses they need, from the “license to plunder” to the “license to kill” (Mies/Werlhof 2003, Mies 2005). Those who get in their way or challenge their “rights” are vilified, criminalized and to an increasing degree defined as “terrorists”, or, in the case of defiant governments, as “rogue states” – a label that usually implies threatened or actual military attack, as we can see in the cases of Yugoslavia, Afghanistan and Iraq, and maybe Syria and Iran in the near future. US President Bush has even spoken of the possibility of “preemptive” nuclear strikes should the US feel endangered by weapons of mass destruction (Chossudovsky 2005). The European Union did not object (Chossudovsky 2006). **Neoliberalism and war are two sides of the same coin** (Altvater/Chossudovsky/Roy/Serfati 2003, Mies 2005). Free trade, piracy, and war are still “an inseparable three” – today maybe more so than ever. War is not only “good for the economy” (Hendersen 1996), but is indeed its driving force and can be understood as the “continuation of economy with other means”. War and economy have become almost indistinguishable (Werlhof 2005 b). Wars about resources (Klare 2001) – especially oil and water – have already begun. The Gulf Wars are the most obvious examples. Militarism once again appears as the “executor of capital accumulation” (Luxemburg 1970) – potentially everywhere and enduringly. Human rights and rights of sovereignty have been transferred from people, communities and governments to corporations (Clarke 1998). The notion of the people as a sovereign body has practically been abolished. We have witnessed a coup of sorts. The political systems of the West and the nation state as guarantees for and expression of the international division of labor in the modern world system are increasingly dissolving (Sassen 2000). Nation states are developing into “periphery states” according to the inferior role they play in the proto-despotic “New World Order” (Hardt/Negri 2001, Chomsky 2003). Democracy appears outdated. After all, it “hinders business” (Werlhof 2005 a). The “New World Order” implies a new division of labor that does no longer distinguish between North and South, East and West – today, everywhere is South. An according International Law is established which effectively functions from top to bottom (“top-down”) and eliminates all local and regional communal rights. And not only that: many such rights are rendered invalid both retroactively and for the future (cf. the “roll back” and “stand still” clauses in the WTO agreements, Mies/Werlhof 2003). The logic of neoliberalism as a sort of totalitarian neo-mercantilism is that all resources, all markets, all money, all profits, all means of production, all “investment opportunities”, all rights, and all power belong to the corporations only. To paraphrase Richard Sennett (2005): “Everything to the Corporations!” One might add: “Now!” The corporations are free to do whatever they please with what they get. Nobody is allowed to interfere. Ironically, we are expected to rely on them to find a way out of the crisis we are in. This puts the entire globe at risk since responsibility is something the corporations do not have or know. The times of social contracts are gone (Werlhof 2003 a). In fact, pointing out the crisis alone has become a crime and all critique will soon be defined as “terror” and persecuted as such (Chossudovsky 2005). I.3 Neoliberal Politics in Action The logic of neoliberalism does not remain in the economic sphere alone. Instead, it enters and transforms politics and hence – since the events in Chile in 1973 – creates global injustice. The injustice’s executors are Western governments, corporate entities (like the International Chamber of Commerce, ICC, the European Round Table of Industrialists, ERT, the Organization for Economic Cooperation and Development, OECD, the European Services Network, ESN, the US Coalition of Service Industries, USCSI, etc.), and the post-WW-II Bretton-Woods institutions like the World Bank (WB) the International Monetary Fond (IMF), and the World Trade Organization (WTO – the continuation of the General Agreement on Tariffs and Trade, GATT, abolished in 1994) (Perkins 2004). The theory of capitalism embodying a “natural law” receives massive support in the neoliberal era. This helps not only to globalize capitalism’s power, but also to accelerate the globalization of neoliberalism. “Speed kills” is the obscene slogan used to describe this development by many Western politicians. This confirms that they are aware of what is going on and of what they are doing. The slogan hints at the fact that once neoliberal “reforms” (which actually “deform”) gain a certain momentum, it becomes impossible for the people affected to keep up with what is happening – the reforms are decided above their heads and implemented behind their backs. Once the consequences kick in – which usually happens with a short delay – those responsible are long gone and/or there is no legal way to “rectify” anything (Werlhof 2005 a). Due to such foul play, protest and resistance are always late. Once they arise, everything has already become irrevocable reality – it appears as if a “natural” catastrophe has taken place. It is the same politicians who tell us that there is no stopping globalization and that their “reform politics” are the solution and not the problem, and who have, in fact, introduced and enforced the global neoliberalism they describe as an inescapable part of history. They have done this within nation state policies as well as through participation in the bodies of the EU and the WTO, the World Bank and the IMF. Of course we have never heard any proper explanation as to why they have done this (and, in fact, continue to do so). This goes seemingly for all political parties – without exception (?) – that retain some kind of power or nestle in its proximity (Dimmel/Schmee 2005). Some of them even appear to have forgotten that just a short while ago they still knew alternatives and held opposite views. What has happened to them? Were they bought? Threatened? Extorted? “Brainwashed”? One thing is clear: The politicians do not suffer from the misery they create and justify every day. They act as employees of corporations and take care of the everyday political business the corporations cannot or do not want to take care of themselves. But again, let us take one step at a time… Since the 1980s, it is mainly the Structural Adjustment Programs, SAPs, of the World Bank and the IMF that act as the enforcers of neoliberalism. These programs are levied against the countries of the South which can be extorted due to their debts. Meanwhile, numerous military interventions and wars help to take possession of the assets that still remain, secure resources, install neoliberalism as the global economic politics, crush resistance movements (which are cynically labeled as “IMF uprisings”), and facilitate the lucrative business of reconstruction (Chossudovsky 2002, Mies 2005, Bennholdt-Thomsen/Faraclas/Werlhof 2001). In the 1980s, Ronald Reagan and Margaret Thatcher introduced neoliberalism in Anglo-America. In 1989, the so-called “Washington Consensus” was formulated. It claimed to lead to global freedom, prosperity and economic growth through “deregulation, liberalization and privatization”. This has become the credo and promise of all neoliberals. Today we know that the promise has come true for the corporations only – not for anybody else. In the Middle East, the Western support for Saddam Hussein in the war between Iraq and Iran in the 1980s, and the Gulf War of the early 1990s, announced the permanent US presence in the world’s most contested oil region. In continental Europe, neoliberalism began with the crisis in Yugoslavia caused by the SAPs of the World Bank and the IMF. The country was heavily exploited, fell apart, and finally beset by a civil war over its last remaining resources (Chossudovsky 2002). Since the NATO war in 1999 (Richter/Schnähling/Spoo 2000), the Balkans are fragmented, occupied and geopolitically under neoliberal control. The region is of main strategic interest for future oil and gas transport from the Caucasus to the West (for example the “Nabucco” gas pipeline that is supposed to start operating from the Caspian Sea through Turkey and the Balkans by 2011, Lietaer 2006). The reconstruction of the Balkans is exclusively in the hands of Western corporations. Many European Union contracts – for example those of Maastricht and Amsterdam – are blatantly neoliberal (Boulboullé 2003). They declare Europe a neoliberal zone and leave no alternative. All governments, whether left, right, liberal or green, accept this. There is no analysis of the connection between the politics of neoliberalism, its history, its background and its effects on Europe and other parts of the world. Likewise, there is no analysis of its connection to the new militarism. If we take the example of Austria, approximately 66% of its population voted for joining the EU in 1995 without having received any information about what this actually meant. As a consequence, we first had the so-called “austerity package”, an SAP equivalent, that started the redistribution of wealth from the bottom to the top. Then tax reforms followed, privatizations, the reform of the pension system. Finally, the Euro caused an inflation of more than 30% and an according loss of income overnight (a fact that is still officially denied). Today, the unemployment rates are rising and working conditions deteriorate across the country (Sozialministerium 2005). 80% of all laws regulating life in Austria are passed in Brussels. The Austrian government’s actual power is minimal and it has practically given up its responsibility for the population. However, more than ten years after joining the EU, there is still no public debate on what neoliberalism has to do with the EU, or what Austria has to do with Chile or the Congo. When the WTO was founded in 1995, the EU member states adapted all WTO agreements on neoliberal enforcement unanimously. These agreements included: the Multilateral Agreement on Investments (MAI), the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the Agreement on Agriculture (AoA) which has meanwhile been supplemented by the Agreement on Non-Agricultural-Market Access (NAMA). All these agreements aim at a rapid global implementation of corporate rule. THE MAI, for example, demanded at a total liberation of all corporate activities (defined as “investments”). These activities were to be freed of all interference, legal bindings or state regulations. This should have first applied to all 29 OECD member countries, and then be extended to all 150 countries assembled in the WTO (Mies/Werlhof 2003). It actually proved impossible to implement the agreement in the form it was planned. Most of its contents, however, have later been implemented by other means (see II). Never before, not even in colonial times, have those in power so completely been “freed” from all responsibility for their actions. No wonder the MAI negotiations had been kept secret for years. However, the trade unions knew, since they were part of the negotiations through the Trade Union Advisory Committee (TUAC) that took part at the OECD conferences in Paris when the MAI was discussed. Information about the MAI was leaked to the public in 1997. Still, even then many political bodies, like the Austrian Ministry for Economy, simply tried to play it down and accuse its critics of “cowardice” (since they were supposedly afraid of “something new”), “xenophobia” (towards the multinationals!) and “conspiracy theories”. No one ever spoke of “theories”, though: the contents of the MAI – which truly transcend the wildest imaginations – are no theories but the praxis of neoliberalism. And no one spoke of “conspiracies” either – because there were none: governments were part of the agreement, certain NGOs were, of course corporations, and even trade unions. Then again, if all representatives of power can form their own conspiracy, then this truly was one. In any case, the people of this planet, who bear the agreement’s weight, were not informed – leave alone invited to participate. To a large degree, the contents of the MAI have become reality through bilateral treaties and the North American Free Trade Agreement, NAFTA, signed by the US, Canada and Mexico in 1994. The attempt to turn all of the Americas into a Free Trade Zone, the FTAA, has so far failed, due to the resistance of most Latin American governments – this, without doubt, provides hope. Negotiations of the GATS, the so-called General Agreement on Trade in Services, have also been kept secret since the late 1990s. The GATS stands for total corporate “privatization” and “commercialization” of life, and for the transformation of all of life’s dimensions into “trade-related”, meaning: “commercial”, services or commodities (Mies/Werlhof 2003, p. 7ff). The GATS can be understood as a global process of successive “liberalization” of services. Suggestions are collected from all WTO member countries and according demands directed back at them. It often enough proves impossible to gain insight into what these demands actually contain. “Sensitive” areas like education, health or water supply are reputedly excluded from the negotiations, which is a proven lie. In Austria, for example, the foundation of medical universities is a clear indication for the privatization of health services, and the University Law of 2002, the UG02, is an indication of the privatization of education at the tertiary level (Werlhof 2005 a). Such privatizations have already been happening internationally for years. Many in Austria saw the development as an expression of the conservative-right “black-blue”1 coalition government and not of neoliberal politics – as if we could have expected anything else from a “red-green”2 government. In any case, consequences were, among others, the abolition of free university access, democratic student rights, and tenure jobs. Instead, university fees and authoritarian corporate structures were introduced – the latter demonstrating a well hidden neoliberal absolutism. Funding for the humanities was cut and an academic “evaluation” system modeled after private business criteria implemented (Progress 2002-2004). The re-organization und economization of academic research and teaching in the name of higher investment possibilities and the profitability of the transnational education industry are in full swing. The rationale that has entered our universities is that good research is research that brings money. This is truly a declaration of **intellectual bankruptcy** (Werlhof 2003 b). Privatization has been a main feature in Austrian politics for many years now, especially concerning the country’s infrastructure. The development is exemplified in the Cross-Border Leasing (CBL) contracts which have been signed between many Austrian towns and US investors (Rügemer 2004, Oberhöller 2006). The contracts gave the towns the so-called “Barwertvorteil” (“present value advantage”), an immediate payment the US investors provided as a cut from their tax exemptions for direct foreign investment – in return, parts of the towns’ infrastructure were “leased” to them. However, these parts were immediately “leased back” because it was still the towns that were expected to maintain the infrastructure – but now for foreign proprietors. Whatever happened with the payments, no one knows. What one does know is that the loophole in the US tax law that made them possible has been closed and that all CBL contracts have retroactively been declared illegal in early 2004 (Der Standard 2005). It seems fair to assume that many more such deals will eventually be revealed. Austrians then might finally get to know about all the silverware that has been sold, as well as about the extent and forms of corruption involved – a characteristic feature in privatizations (Barlow/Clarke 2003, Shiva 2003). In the GATS, services are defined as “everything that cannot fall on your foot”, as someone once remarked ironically. This means that they are no longer reduced to traditional services, but now extend to human thoughts, feelings and actions as well. Even the elements – air, water, earth, fire (energy) – are increasingly turned into commodities (in some places this process is already completed) in order to make profit from the fact that we have to breathe, drink, stand and move (Barlow 2001, Isla 2003). In Nicaragua, there exist water privatization plans that include fines of up to ten months’ salary if one was to hand a bucket of water to a thirsty neighbor who cannot afford her own water connection (Südwind 2003). If it was up to the water corporations – the biggest of which are French and German (Vivendi Universal, Suez, RWE), which means that the privatization of water is mainly a European business – then the neighbor was rather to die of thirst. After all, compassion only upsets business. In India, whole rivers have been sold. Stories tell of women who came to the river banks with buffalos, children and their laundry, as they had done for generations, only to be called “water thieves” and chased away by the police. There are even plans to sell the “holy mother Ganges” (Shiva 2003). Fresh water (just about 2% of the earth’s water reserves) is as such neither renewable nor increasable and of such essential importance to local ecosystems that it seems utterly absurd to treat it is a commodity that can be traded away (Barlow/Clarke 2003, Shiva 2003). Nonetheless, this is already happening. The effects, of course, are horrendous. Coca-Cola has left parts of the southern Indian state of Kerala a virtual desert by exploiting their entire ground water reserves. According to the intentionally “weak” corporate definition of the term, even “investments” can nowadays count as “services”. There is, for example, much talk about “financial services” – which also means that the MAI has basically been incorporated into the GATS. The GATS is, so to speak, the MAI for the whole world. (There are also current attempts to reintroduce the MAI on the OECD level.) The so-called “Bolkestein Directive” (named after the former EU Commissioner Bolkestein, cf. Dräger 2005) can be seen as one of the GATS’ latest versions. It aims at a sort of privatization of salaries within the EU. This means that migrant workers in the EU are paid according to the salaries of their countries of origin, irrespective of the salary standards of the countries they work in. Once this directive is in effect, all obstacles to “Chinese labor conditions” are gone, and European trade unions will basically be rendered obsolete. This makes the fact that they have shown so little resistance against neoliberalism ever more curious. The GATS can be considered the most radical expression of militant neoliberalism so far because it formulates its ultimate ambition in a way it has not been formulated before; namely, that no social, cultural, public or natural sectors should remain outside of economic control and exploitation – without exception. The GATS has hence to be understood as the attempt to turn absolutely everything in this world into “commodities” or commercial “services” in order to extract profit. This applies to all of nature (animals and plants as much as natural elements and landscapes), the entire human being (including its skin, hair, etc.) and all aspects of human life: work and leisure, sexuality and pregnancy, birth and death, sickness and distress, peace and war, desire and will, spirit and soul (Frauennetz Attac 2003). What will happen when there are no non-commercial areas left? What if the division between “life with value” and “life without value” becomes normal social praxis? (This division was first heralded in National Socialism as a quasi futuristic concept, Ruault 2006. No backwardness here!) What if the way to deal with humans as so-called “human capital” starts to define everyday life? What will happen when everything has become a commodity? Is this even possible? If it is, then life would essentially stop. Nothing could be turned into commodities anymore and the commodified world would collapse and decease – including us humans. This would mean general death – a death without new life to follow. Since the commodity has no life of its own but is only “life that once was”, it cannot produce new life (Werlhof 2006). It is only because of thousands of years of patriarchal “alchemical” thought (Werlhof 2001 a) that the (allegedly “creative”) transformation of nature and living creatures into (partly or completely) artificial things is not conceived as the destruction it is. Instead, it is understood as producing something “higher”, “more noble”, “better”. Due to its global and potentially complete enforcement, the latest stage of this transformation, namely modern commodity production, reveals how most people did indeed fall for this “alchemical belief in miracles” and its so-called “progress”. It is a form of religious belief that we are describing here – one that has been able to prevent many from recognizing the violence that is an imminent part of the process it supports. Hence, we have been unable to stop it. Let us take the GATS as an example: not even completely implemented yet, it is already responsible for enormous – and partly irreparable – damage done to the earth and all of us. The TRIPS overlaps with the GATS insofar as it tries to co-opt the thought and experience of thousand-year old cultures, meaning: their spiritual legacy. The goal, of course, is to get paid. Formerly persecuted cultures now become interesting as a source of corporate profit. Ironically, “trade-related” intellectual property rights are established not to protect these cultures’ legacies but their corporate exploitation. And not only that: The same intellectual property rights are also used to force Western thought and experience onto others – if necessary, by violence. Patent rights are used to protect all related interests. So-called “patents for life” take on special meaning in this context as they go hand in hand with the rapid development of genetic engineering (Shiva 2004). What happens is that once a genetic manipulation has occurred, something “new” has been invented that someone can lay a legal claim on. Sometimes, however, one does not even deem this necessary. The genes of plants, animals, even humans, are sometimes stolen, claimed as “discovered” and made one’s own legal “property”. This “bio piracy” (Thaler 2004) exploits the profit potentials of all resources by charging others monopoly prices for using them. There is now a patent on “Basmati” rice. A patent claim to the Indian neem tree did almost pass. The best known example for a company selling its “inventions” is the case of Monsanto. Monsanto tries to make all peasants and farmers of the planet dependent on its genetically modified seeds that are, intentionally, only fertile once (“terminator seeds”). This means that the farmers have to buy new seeds from the company every year. This is already happening in most parts of India where many thousands of peasants have been forced to give up farming which, in turn, led to a shocking number of suicides (Shiva 2004). The Indian physician, ecologist and globalization critic Vandana Shiva calls this process “trading our lives away” (Shiva 1995). In Korea, “WTO kills farmers!” has become a popular slogan amongst many farming communities. The transnational agro-industrial corporations now even discuss a general prohibition of “traditional” farming methods (arte 2005). Iraqi farmers have already been forced to burn all their seeds since the US invasion and use “terminator seeds” instead – this in Mesopotamia, the “cradle of agriculture” (Junge Welt 2004). What these developments make clear is that genetic engineering is not about a better life but about installing global monopolies. This becomes most obvious in the current attempts to implement monopoly control on basic products and services which each human being’s life depends on. Now we understand the meaning of the rally cries “Agrobusiness is the Biggest Business!” or “Wheat Becomes a Weapon!” (Krieg 1980) Meanwhile, problems with genetically modified organisms, GMOs, are on the increase everywhere. Genetically modified seeds, for example, are expensive, vulnerable and of poor quality (Grössler 2005). They constantly need more – instead of less – pesticides. They also “pollute”, which means that they destroy the non-modified species (while not being able to reproduce themselves – or only partially, Verhaag 2004). It becomes harder and harder to deny that GMOs cause irreversible destruction of a still unknown part of flora and – depending on how they are used – fauna. A new infertility enters the world instead of a new creation. The consequence is an artificially created death – a death with no life to follow. No one seems to know how to prevent this (Werlhof 2006). All this sounds like a nightmare. Unfortunately, it is reality. For example, there is no more natural rapeseed in Canada. In Argentina and China, millions of hectares are sown with GMO seeds. Emergency deliveries to regions affected by famine consist almost exclusively of such seeds. In Germany, cows that were fed with GMO feed died a horrible death after two-and-a-half years (Glöckner 2005). Even in Austria, where people take pride in being environmentally conscious, no GMO free animal feed remains on the market, and GMO rapeseed is being planted despite all negative experiences (Karg 2005). It is hard to grasp what is happening. Food is produced that kills – yet people are forced to eat it. And not only that: they have to pay a lot of money for it too! A grosser distortion of life is hardly imaginable. Amongst the most ludicrous examples is the idea to distribute contraceptive GMO corn, developed by the Swiss company Syngenta, in regions that suffer from so-called “overpopulation” (Reiter 2005). This means **genocide, murder and business, all in one**! The idea of a technological progress that follows the notion of a machine technology can never offer any prospects – even when people mean to do good instead of kill. The destruction of life cycles and the manipulation of some of their components can never create a substitute for non-manipulated life – in any case, none that would be superior (Werlhof 1997). Characteristically, the cows that died in Germany died of different forms of circulatory collapse. They had, in a sense, lost the bodily (and spiritual?) cycles on which their existence is based (we may also think of the symptoms of BSE, the so-called “mad cow disease”). What confused their owner most, however, was that neither politicians nor scientists were interested in what had happened. Meanwhile, the US have achieved that the EU can be forced to introduce and use GMO products (Felber 2005). Certain politicians, like the current German Minister of Agriculture; Seehofer; already work hard on implementing these demands (Alt 2005). By doing so, they simply ignore the fact that the majority of European consumers have so far clearly rejected GMO “food” (Greenpeace 2004). The AoA, the WTO’s Agreement on Agriculture, is a prime example for how “free trade” sure does not mean the same for everyone. On the one hand, it allows the North to force its agricultural surplus onto the South by means of highly subsidized dumping prices, thereby destroying the national markets and sale opportunities for local farmers; on the other hand, products from the South are kept from Northern markets by tax barriers. Since three billion of the world’s people still work as small farmers (Amin 2004), the AoA threatens the survival of more than half the world’s population. This not only because the AoA changes the markets in favor of the agricultural corporations; the AoA also erodes – in combination with the TRIPS – the existential basis of the world’s farmers by other means. To begin with, much of their land is – ever more rapidly – acquired by foreign companies. These implement their new seeds, and often only focus on luxury goods (such as shrimps and flowers) for the markets of the wealthy without giving any consideration to local needs (Widerspruch 2004). The reality resembles that of colonial times, only that the damage done now is worse since subsistence production itself falls victim to neo-colonial destruction (Bennholdt-Thomsen/Mies/Werlhof 1988). After all, no profit is to be made with subsistence production. As a consequence, more and more farmers turn to commodity production for the world market. However, this does not help them either. The profit is always made by others (Shiva 2004). The NAMA negotiations featured strongly at the WTO Summit in Hong Kong in December 2005. In line with all other WTO agreements, every nature-related activity was defined as economically exploitable even when it did not immediately relate to agriculture, but, for example, fishery, forestry, or even the control of oxygen (Isla 2005). In short, total commercialization was proclaimed. One of the most immediate consequences was the loss of living space for indigenous people. Meanwhile, their resistance was criminalized and they were accused of trying to “expropriate” corporations and of “violating” their rights (Goldman 1998). It is safe to call all WTO agreements malicious. They are all exclusively based on corporate interests. They have no regard for life. Life exists only for exploitation and annihilation. When they concern corporate interests (investment, service, intellectual property), all WTO regulations are vague, widely accommodating and open to interpretation – when they concern challenges to these interests (“obstacles” of whatever sort, or “creeping expropriation”), they become very definite and unbendable. Branding people who take the corporations to task as “expropriators” is of course only cynical. In reality, it is the corporations that expropriate the people. On top of this, the only safeguards the corporations are concerned about are their own. In any other case, safeguards are deemed “protectionism” and harshly condemned. The same goes for customs duties or subsidies. The corporations’ “liberalism” consists of expecting others to drop all guards. There is no liberalism outside the one that serves corporate interests. Today, the rights of corporations are better protected than those of human individuals. We might even say that “human rights” only apply to corporations. After all, individuals will always claim their rights in conflicts with corporations in vain. Only corporations have the power to effectively sue everyone who jeopardizes their interests. The WTO itself demonstrates how to prevail against resistance by such means. It contains the so-called “Dispute Settlement Mechanism”, a kind of international court that allows to enforce its agreements and resolutions, when necessary by means of harsh punishment, especially financially. At this court – which, exactly like the WTO as a whole, has no democratic legitimacy – corporations and their representatives can claim the “rights” that the WTO agreements grant them against state governments and other national or communal bodies. They usually win. Reverse procedures are impossible: no state government or other national body – not to even mention communities not defined by a nation state – even have the right to sue corporations. So, essentially, this means that no rights other than those of the corporations even exist any longer – not even on paper (Werlhof 2003 a). How can one explain such a politics to people and have them agree with it? Not at all, of course. This is why nothing ever is explained. Neoliberalism does not bother with ideology. Neoliberalism is a conscious betrayal of the interests of 99% of the people on this planet. It justifies robbery and pillage. It is, both in intention and effect, a true “weapon of mass destruction” – even when no immediate wars are fought. How many lives are sacrificed to neoliberalism? Some estimate that the numbers already go into hundreds of millions (Ziegler 2004, Widerspruch 2004). Paradoxically, the WTO and its agreements are anchored in international law while they rob and pillage the people whose rights are supposed to be protected by this law. Violations against the WTO agreements count hence as violations against a law that stands above all national and regional regulations. As a consequence, legal cases challenging the compatibility of WTO (or EU) law with national constitutions have repeatedly been rejected – in Austria as recently as in 2005. The WTO and its agreements act effectively as a global oligarchic constitution. They are the first attempt at installing neo-totalitarian “global corporate governance” – or even a “global corporate government”. It feels like despotism is establishing itself again, but this time globally. What we are witnessing might be dubbed a new kind of “AMP”, the so-called former “Asiatic Mode of Production” – only that its origins are now American instead of Asiatic. I think a more accurate name for the WTO would be WWO: “World War Order”. Or, alternatively, W.K.O.: “World Knock Out”. In any case, the organization sweeps across the globe like a tsunami, taking everything with it that promises profit. I.4. European Union Neoliberalism and Militarism On a European level, the EU functions as the continental equivalent to the WTO. The EU constitution treaty – a legal basis for a centralized European government – follows standard neoliberal principles. It is, in fact, the first constitution treaty that includes a legal commitment to a specific economic order – the neoliberal – as well as to engagement in armament and military operations (Oberansmayr 2004). Once again, **neoliberalism and militarism appear as Siamese twins** (Lechthaler 2005). Economy is understood as a kind of war (both internally and externally), and military “defense” as part of the economy. This applies, in the words of the former German Minister of Defense, Struck, “even to the Hindu Kush”. Not that we should be surprised… The draft of the EU constitution promises to be part of an effort to secure peace. This follows a peculiar logic, namely one that refers to acts of war as “humanitarian intervention” (or, alternatively, as “acts of defense” – even if there has never been an aggression), allows to claim that wars like the NATO war against Yugoslavia were none, and is able to portray the EU as an “order of peace” (Attac EU-AG Stuttgart und Region 2005). All this against the background that there will soon be deployable nuclear weapons in Europe (Galtung 1993, p. 145, Oberansmayr 2004, p. 114ff). Meanwhile, any resistance at government levels against harboring nuclear weapons has subsided, especially in France, but also in Germany. Austria keeps silent too. Politicians everywhere have given up a notion that was once sacrosanct (guernica 2006). A particularly shocking example for the European way of blending neoliberalism with war was exposed in the documentary film “Darwin’s Nightmare” (Sauper 2005). The film depicts the development of a modern fishing industry – financed by the EU – at Lake Victoria in Tanzania. The Nile perch, a fish growing to the size of a human being, was released into the lake in the 1950s. By now, it has all but extinguished the lake’s other species, and it is only a question of time when the world’s largest tropical lake will be dead. The majority of local fisher folk are without work and income. Women are forced into prostitution, HIV and AIDS are rampant, and youths organize in gangs. Pilots from the regions of the former Soviet Union fly the factory-packaged fish filets to their European consumers in huge Ilyushin planes. When they return, they bring weapons that are smuggled into the Congo and other African regions rattled by military conflict – forget about so-called “tribal wars”! The deceiving self-portrayal of the EU as an “order of peace” has curious implications. It allows, for example, the Austrian government to pretend that Austria is still a neutral country. In fact, the 50th anniversary of the country’s neutrality was celebrated in 2005. This despite the fact that already in 1998, §23f was added to the Austrian constitution: a paragraph assuring Austria’s commitment to contribute soldiers to military action carried out by the EU (some call it the “war authorization paragraph”, Oberansmayr 2004, p. 46f). The public hardly took notice of this. The Eurofighters3 are played down as a mere means to protect Austrian airspace, while the prospect of future Austrian engagement in wars all across the globe is described as a commitment to “peace missions” (carried out, ironically, by so-called EU “battle troops”). Military expenses in Austria have grown by 30% between 2004 and 2007 (Werkstatt Frieden und Solidarität 2005). At least in this case it is hard to argue that a lot of money has been made. However, it means that Austria contributes significantly (in fact, since 2001) to making the EADS, the European Aeronautic Defence and Space Company, a European armament giant and a huge power player on the continent (Oberansmayr 2004, p. 126ff). It seems like the common trick here is to simply claim the opposite of what is true. The meanings of words are turned upside down. The draft of the EU constitution also contains references to citizen’s “basic rights”. How these can be claimed against the constitution’s cornerstones – neoliberalism and militarism – remains unclear, however, to say the least. Hence, listing these rights appears as little more than a facade (“tinsel”) that tries to win public approval for what happens behind it and no one really knows about. Otherwise, an approval would be very hard to come by. The idea seems to make a curse appear like a blessing so that even the cursed will consent. Of course no one seems to have an answer to what will happen if the neoliberal economic politics fail since no one even has ever thought about an alternative. What though, if, for example, the military will be used internally? The rejection of the EU constitution by the people of France and the Netherlands is all the more remarkable considering the fact that the EU prevents all general critical discussion and has always played down the constitution’s significance. In Austria or Germany, the people’s opinion has not even been asked. One wonders what the results in these countries would have been. In any case, the EU’s 2007 Lisbon Declaration decided to turn the declaration into European law anyway – approved by the national parliaments only. Why an Austrian constitution that has long been rendered ineffective still needs to be “reformed”, is another question that remains unanswered. The idea probably is to hide its actual ineffectiveness by adapting it to EU and WTO principles. How deep is the crisis of the EU? Can its neoliberal politics reach its limits (Widerspruch 2005)? How many more than 30 million unemployed can it handle? How many more than 70 million who live below the poverty line (Armutskonferenz)? And how many more failures of privatization, like the one of the British railway system, can be saved by a so-called “Public Private Partnerships” (PPPs) that channel tax money into corporations? What will happen once the assets of all nations have been sold? How far can the EU go with its destruction of the middle classes? How is it going to deal with the frustrated young men who have lost all perspective – even when they are white? Do the 2005 revolts in the French suburbs mean that the civil war in the European North has already begun? How is the EU going to approach the danger of the extreme Right? What is the EU going to do when oil and gas prices explode? What is it going to do when oil and (as is already the case in Southern Europe due to global warming) drinking water become rare? What it is going to do when neither industry nor agriculture, neither transport nor nuclear power stations can be maintained any longer, especially as long as solar power remains no viable solution to the energy crisis (Sarkar 2001)? How will the EU, given its proclaimed “ethical values”, explain possible military action not only outside but within the union? Will it have to justify its own politics by terror (Chossudovsky 2003)? The EU is not unaware of all these pending problems. At the European Security Conference 2005, it already discussed scenarios of poor people’s revolts (Genth 2006). Today, we are facing a threat no smaller than a possible nuclear war of the West against Iran (Chossudovsky 2006, Petras 2006). This war would be fought to gain Western corporate control over the oil and gas reserves of Central Asia – a control that is today not only challenged by Russia, but India and especially China as well. How long will it be possible to appease the population while imposing one’s interests upon it behind closed curtains? It seems ironic that the magistrate of Vienna invites us in November 2005 to discuss

#### The alternative is a process of critique that challenges the ideology of capital by prioritizing human development over production.

Lebowitz 07 (Michael A. Lebowitz is author of Beyond Capital: Marx’s Political Economy of the Working Class (Palgrave Macmillan, 2003), Build It Now: Socialism for the Twenty-First Century (Monthly Review Press, 2006), and The Socialist Alternative: Real Human Development (Monthly Review Press, forthcoming in 2008). Portions of this essay were presented as “Going Beyond Survival: Making the Social Economy a Real Alternative” at the Fourth International Meeting of the Solidarity Economy, July 21–23, 2006, at the University of Sao Paulo, Brazil, “Venezuela: A Good Example of the Bad Left of Latin America”, <http://monthlyreview.org/2007/07/01/venezuela-a-good-example-of-the-bad-left-of-latin-america>, Accessed 6-24-13)

What constitutes a real alternative to capitalism? I suggest that it is a society in which the explicit goal is not the growth of capital or of the material means of production but, rather, human development itself—the growth of human capacities. We can see this perspective embodied in the Bolivarian Constitution of Venezuela—in Article 299’s emphasis upon “ensuring overall human development,” in the declaration of Article 20 that “everyone has the right to the free development of his or her own personality,” and in the focus of Article 102 upon “developing the creative potential of every human being and the full exercise of his or her personality in a democratic society.”¶ In these passages (which are by no means the whole of that constitution), there is the conception of a real alternative—an economy whose logic is not the logic of capital. “The social economy,” President Hugo Chávez said in September 2003, “bases its logic on the human being, on work, that is to say, on the worker and the worker’s family, that is to say, in the human being.” That social economy, he continued, does not focus on economic gain, on exchange values; rather, “the social economy generates mainly use-value.” Its purpose is “the construction of the new man, of the new woman, of the new society.”¶ These are beautiful ideas and beautiful words, but they are, of course, only ideas and words. The first set comes from a constitution and the second comes from the regular national educational seminar known as Aló Presidente. How can such ideas and words be made real? Let me suggest four preconditions for the realization of this alternative to capitalism.¶ (1) Any discussion of structural change must begin from an understanding of the existing structure—in short, from an understanding of capitalism. We need to grasp that the logic of capital, the logic in which profit rather than satisfaction of the needs of human beings is the goal, dominates both where it fosters the comparative advantage of repression and also where it accepts an increase in slave rations. (2) It is essential to attack the logic of capital ideologically. In the absence of the development of a mass understanding of the nature of capital—that capital is the result of the social labor of the collective worker—the need to survive the ravages of neoliberal and repressive policies produces only the desire for a fairer society, the search for a better share for the exploited and excluded: in short, barbarism with a human face.¶ (3) A critical aspect in the battle to go beyond capitalism is the recognition that human capacity develops only through human activity, only through what Marx understood as “revolutionary practice,” the simultaneous changing of circumstances and self-change. Real human development does not drop from the sky in the form of money to support survival or the expenditures of popular governments upon education and health. In contrast to populism, which produces people who look to the state for all answers and to leaders who promise everything, the conception which truly challenges the logic of capital in the battle of ideas is one which explicitly recognizes the centrality of self-management in the workplace and self-government in the community as the means of unleashing human potential—i.e., the idea of socialism for the twenty-first century.¶ (4) But, the idea of this socialism cannot displace real capitalism. Nor can dwarfish islands of cooperation change the world by competing successfully against capitalist corporations. You need the power to foster the new productive relations while truncating the reproduction of capitalist productive relations. You need to take the power of the state away from capital, and you need to use that power when capital responds to encroachments—when capital goes on strike, you must be prepared to move in rather than give in. Winning the “battle of democracy” and using “political supremacy to wrest, by degrees, all capital from the bourgeoisie” remains as critical now as when Marx and Engels wrote the Communist Manifesto. Consider these preconditions. Are they being met by the new Latin American governments on the left? On the contrary, for the most part, we can see the familiar characteristics of social democracy—which does not understand the nature of capital, does not attack the logic of capital ideologically, does not believe that there is a real alternative to capitalism, and, not surprisingly, gives in when capital threatens to go on strike.¶ “We can’t kill the goose that lays the golden eggs,” announced the social democratic premier of British Columbia in Canada (in the 1970s when I was party policy chairman). Here, crystallized, is the ultimate wisdom of social democracy—the manner in which social democracy enforces the logic of capital and ideologically disarms and demobilizes people.¶ Venezuela, however, is going in a different direction at this point. While the Bolivarian Revolution did not start out to build a socialist alternative (and its continuation along this path is contested every step of the way), it is both actively rejecting the logic of capital and also ideologically arming and mobilizing people to build that alternative.

### 1NC

#### Economic engagement means using exclusively economic contacts like trade, loans and grants

Resnick, 1– Assistant Professor of Political Science at Yeshiva University (Evan, Journal of International Affairs, “Defining Engagement” v54, n2, political science complete)

A REFINED DEFINITION OF ENGAGEMENT

In order to establish a more effective framework for dealing with unsavory regimes, I propose that we define engagement as the attempt to influence the political behavior of a target state through the comprehensive establishment and enhancement of contacts with that state across multiple issue-areas (i.e. diplomatic, military, economic, cultural). The following is a brief list of the specific forms that such contacts might include:¶ DIPLOMATIC CONTACTS¶ Extension of diplomatic recognition; normalization of diplomatic relations¶ Promotion of target-state membership in international institutions and regimes¶ Summit meetings and other visits by the head of state and other senior government officials of sender state to target state and vice-versa¶ MILITARY CONTACTS¶ Visits of senior military officials of the sender state to the target state and vice-versa¶ Arms transfers¶ Military aid and cooperation¶ Military exchange and training programs¶ Confidence and security-building measures¶ Intelligence sharing¶ ECONOMIC CONTACTS¶ Trade agreements and promotion¶ Foreign economic and humanitarian aid in the form of loans and/or grants¶ CULTURAL CONTACTS¶ Cultural treaties¶ Inauguration of travel and tourism links¶ Sport, artistic and academic exchanges(n25)¶ Engagement is an iterated process in which the sender and target state develop a relationship of increasing interdependence, culminating in the endpoint of "normalized relations" characterized by a high level of interactions across multiple domains. Engagement is a quintessential exchange relationship: the target state wants the prestige and material resources that would accrue to it from increased contacts with the sender state, while the sender state seeks to modify the domestic and/or foreign policy behavior of the target state. This deductive logic could adopt a number of different forms or strategies when deployed in practice.(n26) For instance, individual contacts can be established by the sender state at either a low or a high level of conditionality.(n27) Additionally, the sender state can achieve its objectives using engagement through any one of the following causal processes: by directly modifying the behavior of the target regime; by manipulating or reinforcing the target states' domestic balance of political power between competing factions that advocate divergent policies; or by shifting preferences at the grassroots level in the hope that this will precipitate political change from below within the target state. This definition implies that three necessary conditions must hold for engagement to constitute an effective foreign policy instrument. First, the overall magnitude of contacts between the sender and target states must initially be low. If two states are already bound by dense contacts in multiple domains (i.e., are already in a highly interdependent relationship), engagement loses its impact as an effective policy tool. Hence, one could not reasonably invoke the possibility of the US engaging Canada or Japan in order to effect a change in either country's political behavior. Second, the material or prestige needs of the target state must be significant, as engagement derives its power from the promise that it can fulfill those needs. The greater the needs of the target state, the more amenable to engagement it is likely to be. For example, North Korea's receptivity to engagement by the US dramatically increased in the wake of the demise of its chief patron, the Soviet Union, and the near-total collapse of its national economy.(n28) Third, the target state must perceive the engager and the international order it represents as a potential source of the material or prestige resources it desires. This means that autarkic, revolutionary and unlimited regimes which eschew the norms and institutions of the prevailing order, such as Stalin's Soviet Union or Hitler's Germany, will not be seduced by the potential benefits of engagement. This reformulated conceptualization avoids the pitfalls of prevailing scholarly conceptions of engagement. It considers the policy as a set of means rather than ends, does not delimit the types of states that can either engage or be engaged, explicitly encompasses contacts in multiple issue-areas, allows for the existence of multiple objectives in any given instance of engagement and, as will be shown below, permits the elucidation of multiple types of positive sanctions.

#### Vote Neg–

#### 1. limits – they explode the topic – blurring the lines between economic and other forms of engagement makes any positive interaction with another country topical

#### 2. ground – the economic limit is vital to critiques of economics, trade disads, and non-economic counterplans

### 1NC

#### Debt Ceiling will pass now- Obama will hold the line w Laser Focus

Kapur, 9/9 --- TPM’s senior congressional reporter and Supreme Court correspondent (9/9/2013, Sahil, “Is House GOP Backing Down In Debt Limit Fight?” <http://tpmdc.talkingpointsmemo.com/2013/09/house-gop-cantor-memo-debt-ceiling-cr-sequester-immigration.php>)

House Republicans are taming members’ expectations ahead of the debt limit showdown, signaling that they may not be able to extract significant concessions from Democrats.A Friday memo to GOP members by Majority Leader Eric Cantor (R-VA) says “the House will act to prevent a default on our obligations before” the mid-October deadline the Obama administration has established. “House Republicans,” he says, “will demand fiscal reforms and pro-growth policies which put us on a path to balance in ten years in exchange for another increase in the debt limit.” The language is vague — intentionally so, in order to maintain wiggle room for Republicans to avert a disastrous debt default. President Barack Obama has vowed not to pay a ransom to ensure the U.S. can meet its obligations. If and when they do cave, Republicans will be hard-pressed to show their base they got something in return for raising the debt ceiling. In January, they got Senate Democrats to agree to pass a non-binding budget resolution. This time around, the possibilities for symbolic concessions range from a doomed Senate vote to delay or defund Obamacare or instructions to initiate the process of tax reform. There are a number of demands rank-and-file Republicans have urged leaders to make which could genuinely complicate the battle, such as dollar-for-dollar spending cuts or unwinding Obamacare. Cantor’s memo mentioned neither. GOP members have also called on leadership not to bring up any debt limit bill that lacks the support of half the conference. Boehner hasn’t committed to this and Cantor didn’t mention it in his memo. There are several reasons Republicans will have a hard time extracting concessions. Back in January, when Obama held firm and refused to negotiate on the debt limit, Republicans folded and agreed to suspend the debt ceiling without substantial concessions but rather symbolic ones. And due to deep divisions within the conference, House Republicans will face enormous challenges in rounding up 218 votes to pass any conceivable debt limit hike. The party’s top priority is to cut safety-net programs like Social Security and Medicare. But there’s no internal consensus on what to cut. And Republicans, whose constituents are disproportionately older, have generally refused to vote on entitlement cuts without bipartisan cover from Democrats. In this case Democrats are highly unlikely to give it to them, which complicates their task of passing a debt limit bill. The Cantor memo makes it all but official that Republicans won’t seek to defund Obamacare in the fiscal battles. The strategy, pushed by conservative activists, to withhold support for keeping the government running after Sept. 30 unless Democrats agree to defund Obamacare. Instead it vows to “hold a series of strategic votes throughout the fall to dismantle, defund, and delay Obamacare.” The memo says Republicans “will continue to pursue the strategy of systematically derailing this train wreck and replacing it with a patient-centered system.” The GOP’s big stand in the fiscal battles will be to force Obama to accept the lower spending levels ordered by sequestration — automatic spending cuts enacted in 2011 — in a measure to keep the government funded. Here Republicans will refuse to cede and the White House has not suggested it’ll veto a bill that maintains sequester spending levels, although Obama wants to cut a deal to replace the sequester. “In signing a CR at sequester levels,” Cantor writes, “the President would be endorsing a level of spending that wipes away all the increases he and Congressional Democrats made while they were in charge and returns us to a pre-2008 level of discretionary spending.”

#### The plan costs capital and focus which are key

Moore, 9/10 --- Guardian's US finance and economics editor (Heidi, 9/10/2013, “Syria: the great distraction; Obama is focused on a conflict abroad, but the fight he should be gearing up for is with Congress on America's economic security,” <http://www.theguardian.com/commentisfree/2013/sep/10/obama-syria-what-about-sequester)>)

Before President Obama speaks to the nation about Syria tonight, take a look at what this fall will look like inside America. There are 49 million people in the country who suffered inadequate access to food in 2012, leaving the percentage of "food-insecure" Americans at about one-sixth of the US population. At the same time, Congress refused to pass food-stamp legislation this summer, pushing it off again and threatening draconian cuts. **The country will crash into the debt ceiling in mid-October, which would be an economic disaster, especially with a government shutdown looming at the same time. These are deadlines that Congress already learned two years ago not to toy with, but memories appear to be preciously short.** The Federal Reserve needs a new chief in three months, someone who will help the country confront its raging unemployment crisis that has left 12 million people without jobs. The president has promised to choose a warm body within the next three weeks, despite the fact that his top pick, Larry Summers, would likely spark an ugly confirmation battle – the "fight of the century," according to some – with a Congress already unwilling to do the President's bidding. Congress was supposed to pass a farm bill this summer, but declined to do so even though the task is already two years late. As a result, the country has no farm bill, leaving agricultural subsidies up in the air, farmers uncertain about what their financial picture looks like, and a potential food crisis on the horizon. The two main housing agencies, Fannie Mae and Freddie Mac, have been in limbo for four years and are desperately in need of reform that should start this fall, but there is scant attention to the problem. These are the problems going unattended by the Obama administration while his aides and cabinet members have been wasting the nation's time making the rounds on television and Capitol Hill stumping for a profoundly unpopular war. The fact that all this chest-beating was for naught, and an easy solution seems on the horizon, belies the single-minded intensity that the Obama White House brought to its insistence on bombing Syria. More than one wag has suggested, with the utmost reason, that if Obama had brought this kind of passion to domestic initiatives, the country would be in better condition right now. As it is, public policy is embarrassingly in shambles at home while the administration throws all of its resources and political capital behind a widely hated plan to get involved in a civil war overseas. The upshot for the president may be that it's easier to wage war with a foreign power than go head-to-head with the US Congress, even as America suffers from neglect. This is the paradox that President Obama is facing this fall, as he appears to turn his back on a number of crucial and urgent domestic initiatives in order to spend all of his meager political capital on striking Syria. Syria does present a significant humanitarian crisis, which has been true for the past two years that the Obama administration has completely ignored the atrocities of Bashar al-Assad. Two years is also roughly the same amount of time that key domestic initiatives have also gone ignored as Obama and Congress engage in petty battles for dominance and leave the country to run itself on a starvation diet imposed by sequestration cuts. Leon Panetta tells the story of how he tried to lobby against sequestration only to be told: Leon, you don't understand. The Congress is resigned to failure. Similarly, those on Wall Street, the Federal Reserve, those working at government agencies, and voters themselves have become all too practiced at ignoring the determined incompetence of those in Washington. **Political capital – the ability to horse-trade and win political favors from a receptive audience – is a finite resource in Washington. Pursuing misguided policies takes up time, but it also eats up credibility in asking for the next favor.** It's fair to say that **congressional Republicans**, particularly in the House, **have no love for Obama and are likely to oppose anything he supports. That's exactly the reason the White House should stop proposing policies as if it is scattering buckshot and focus with intensity on the domestic tasks it wants to accomplish, one at a time.** The president is scheduled to speak six times this week, mostly about Syria. That includes evening news interviews, an address to the nation, and numerous other speeches. Behind the scenes, he is calling members of Congress to get them to fall into line. Secretary of State John Kerry is omnipresent, so ubiquitous on TV that it may be easier just to get him his own talk show called Syria Today. It would be a treat to see White House aides lobbying as aggressively – and on as many talk shows – for a better food stamp bill, an end to the debt-ceiling drama, or a solution to the senseless sequestration cuts, as it is on what is clearly a useless boondoggle in Syria. **There's no reason to believe that Congress can have an all-consuming debate about Syria and then, somehow refreshed, return to a domestic agenda** that has been as chaotic and urgent as any in recent memory. The President should have judged his options better. As it is, he should now judge his actions better.

#### T-bond crisis causes food price spikes

Min 10 – (David, Associate Director for Financial Markets Policy – Center for American Progress, "The Big Freeze", 10-28, [http://www.americanprogress.org/issues/2010/10/big\_freeze.html)](http://www.americanprogress.org/issues/2010/10/big_freeze.html%29)

A freeze on the debt ceiling could erode confidence in U.S. Treasury bonds in a number of ways, creating further and wider panic in financial markets. First, by causing a disruption in the issuance of Treasury debt, as happened in 1995-96, a freeze would cause investors to seek alternative financial investments, even perhaps causing a run on Treasurys. Such a run would cause the cost of U.S. debt to soar, putting even more stress on our budget, and the resulting enormous capital flows would likely be highly destabilizing to global financial markets, potentially creating more asset bubbles and busts throughout the world. Second, the massive withdrawal of public spending that would occur would cause significant concern among institutional investors worldwide that the U.S. would swiftly enter a second, very deep, recession, raising concerns about the ability of the United States to repay its debt. Finally, the sheer recklessness of a debt freeze during these tenuous times would signal to already nervous investors that there was a significant amount of political risk, which could cause them to shy away from investing in the United States generally. Taken together, these factors would almost certainly result in a significant increase in the interest rates we currently pay on our national debt, currently just above 2.5 percent for a 10-year Treasury note. If in the near term these rates moved even to 5.9 percent, the long-term rate predicted by the Congressional Budget Office, then our interest payments would increase by more than double, to nearly $600 billion a year. These rates could climb even higher, if investors began to price in a “default risk” into Treasurys—something that reckless actions by Congress could potentially spark—thus greatly exacerbating our budget problems. The U.S. dollar, of course, is the world’s reserve currency in large part because of the depth and liquidity of the U.S. Treasury bond market. If this market is severely disrupted, and investors lost confidence in U.S. Treasurys, then it is unclear where nervous investors might go next. A sharp and swift move by investors out of U.S. Treasury bonds could be highly destabilizing, straining the already delicate global economy. Imagine, for example, if investors moved from sovereign debt into commodities, most of which are priced and traded in dollars. This could have the catastrophic impact of weakening the world’s largest economies while also raising the prices of the basic inputs (such as metals or food) that are necessary for economic growth.

#### Extinction

Cribb 10

Julian Cribb, Professor in Science Communication at the University of Technology Sydney, 2010

(Julian, principal of JCA, fellow of the Australian Academy

of Technological Sciences and Engineering, “The Coming Famine: The

Global Food Crisis and What We Can Do to Avoid It”, pg 10

The character of human conflict has also changed: since the early 1990s, more wars have been triggered by disputes over food, land, and water than over mere political or ethnic differences. This should not surprise us: people have fought over the means of survival for most of history. But in the abbreviated reports on the nightly media, and even in the rarefied realms of government policy, the focus is almost invariably on the players—the warring national, ethnic, or religious factions—rather than on the play, the deeper subplots building the tensions that ignite conflict. Caught up in these are groups of ordinary, desperate people fearful that there is no longer sufficient food, land, and water to feed their children—and believing that they must fight "the others" to secure them. At the same time, the number of refugees in the world doubled, many of them escaping from conflicts and famines precipitated by food and re- source shortages. Governments in troubled regions tottered and fell. The coming famine is planetary because it involves both the immediate effects of hunger on directly affected populations in heavily populated regions of the world in the next forty years—and also the impacts of war, government failure, refugee crises, shortages, and food price spikes that will affect all human beings, no matter who they are or where they live. It is an emergency because unless it is solved, billions will experience great hardship, and not only in the poorer regions. Mike Murphy, one of the world's most progressive dairy farmers, with operations in Ireland, New Zealand, and North and South America, succinctly summed it all up: "Global warming gets all the publicity but the real imminent threat to the human race is starvation on a massive scale. Taking a 10-30 year view, I believe that food shortages, famine and huge social unrest are probably the greatest threat the human race has ever faced. I believe future food shortages are a far bigger world threat than global warming."

### 1NC Econ

#### There is no causal relationship between the economy and conflict—the best study proves.

Brandt and Ulfelder 11—\*Patrick T. Brandt, Ph.D. in Political Science from Indiana University, is an Assistant Professor of Political Science in the School of Social Science at the University of Texas at Dallas. \*\*Jay Ulfelder, Ph.D. in political science from Stanford University, is an American political scientist whose research interests include democratization, civil unrest, and violent conflict. [April, 2011, “Economic Growth and Political Instability,” Social Science Research Network]

These statements anticipating political fallout from the global economic crisis of 2008–2010 reflect a widely held view that economic growth has rapid and profound effects on countries’ political stability. When economies grow at a healthy clip, citizens are presumed to be too busy and too content to engage in protest or rebellion, and governments are thought to be flush with revenues they can use to enhance their own stability by producing public goods or rewarding cronies, depending on the type of regime they inhabit. When growth slows, however, citizens and cronies alike are presumed to grow frustrated with their governments, and the leaders at the receiving end of that frustration are thought to lack the financial resources to respond effectively. The expected result is an increase in the risks of social unrest, civil war, coup attempts, and regime breakdown.

Although it is pervasive, the assumption that countries’ economic growth rates strongly affect their political stability has not been subjected to a great deal of careful empirical analysis, and evidence from social science research to date does not unambiguously support it. Theoretical models of civil wars, coups d’etat, and transitions to and from democracy often specify slow economic growth as an important cause or catalyst of those events, but empirical studies on the effects of economic growth on these phenomena have produced mixed results. Meanwhile, the effects of economic growth on the occurrence or incidence of social unrest seem to have hardly been studied in recent years, as empirical analysis of contentious collective action has concentrated on political opportunity structures and dynamics of protest and repression.

This paper helps fill that gap by rigorously re-examining the effects of short-term variations in economic growth on the occurrence of several forms of political instability in countries worldwide over the past few decades. In this paper, we do not seek to develop and test new theories of political instability. Instead, we aim to subject a hypothesis common to many prior theories of political instability to more careful empirical scrutiny. The goal is to provide a detailed empirical characterization of the relationship between economic growth and political instability in a broad sense. In effect, we describe the conventional wisdom as seen in the data. We do so with statistical models that use smoothing splines and multiple lags to allow for nonlinear and dynamic effects from economic growth on political stability. We also do so with an instrumented measure of growth that explicitly accounts for endogeneity in the relationship between political instability and economic growth. To our knowledge, ours is the first statistical study of this relationship to simultaneously address the possibility of nonlinearity and problems of endogeneity. As such, we believe this paper offers what is probably the most rigorous general evaluation of this argument to date.

As the results show, some of our findings are surprising. Consistent with conventional assumptions, we find that social unrest and civil violence are more likely to occur and democratic regimes are more susceptible to coup attempts around periods of slow economic growth. At the same time, our analysis shows no significant relationship between variation in growth and the risk of civil-war onset, and results from our analysis of regime changes contradict the widely accepted claim that economic crises cause transitions from autocracy to democracy. While we would hardly pretend to have the last word on any of these relationships, our findings do suggest that the relationship between economic growth and political stability is neither as uniform nor as strong as the conventional wisdom(s) presume(s). We think these findings also help explain why the global recession of 2008–2010 has failed thus far to produce the wave of coups and regime failures that some observers had anticipated, in spite of the expected and apparent uptick in social unrest associated with the crisis.

#### US econ resilient

Johnson ‘13

(Robert , CFA, director of economic analysis with Morningstar, Morningstar.com, “U.S. Economy Not So Fragile After All” – 1/19 – http://news.morningstar.com/articlenet/article.aspx?id=581616)

No, the U.S. Economy Has Not Been Fragile After All¶ Although most economists got at least some things right about the U.S. economy over the past two years, the one nearly universal error was the expectation that the economy was fragile. The U.S. economy has proven to be anything but fragile.¶ I believe this to be the single biggest error that economists have made over the last two years. During that time, the U.S. has survived the fallout from a major debt crisis in Europe, a divisive election, temporarily going over the fiscal cliff, gasoline prices that have been on a yo-yo, a tsunami in Japan, and Hurricane Sandy, which shut down New York and even the stock exchanges for a couple of days. These are not signs of a fragile economy.

#### No evidence backs diversionary theory.

Reiter 9—Dan Reiter is professor and chair of political science at Emory University [Aug 17, 2009, *How Wars End*, ch. 2, “Bargaining, Information, and Ending Wars,” pg. 9-10, Princeton University Press]

Irnportantly, the assumption that Wars are always on balance costly for each side is not uncontroversial. Some feminist approaches contend that states may fight for the sake of lighting, as wars serve patriarchy by reinforcing gender identity.3 A more mainstream critique is that leaders go to war for domestic political reasons, such that a war-avoiding bargain might not be reachable even when both sides knew who would win, as lighting itself provides domestic political benefits from a war to both win- ner and loser.4 Under some conditions, especially if a state is undergoing democratization or if a national leader is experiencing domestic political problems such as unrest or economic downturn, a state may see war as a way to rally the public around the leader and stave off domestic political challenges.5 The proposition that leaders go to war when facing domestic difficulties is often called the "diversionary" hypothesis.

However, the evidence that leaders choose war to solve internal political problems is thin. The underlying assumption is that going to war en- genders a rally round the flag effect that boosts the popularity of leaders, but leaders reap this benefit only under very narrow conditions (which often cannot be controlled by the attacking state), and even the biggest rallies are short-lived.6 Importantly, there is almost no smoking gun historical evidence of a leader launching a war primarily as a means of solving domestic political problems. At most, politicians have occasionally speculated about diversionary action, such as Secretary of State William Seward's (ignored) April 1861 suggestion to President Abraham Lincoln that the United States provoke crises with European powers as a means of staving off civil war between the Union and the seceding southern states.7 A Russian minister is famously thought to have declared just after the outbreak ofthe 1904-O5 Russo-japanese War that, "We need a little, victorious war to stem the tide of revolution," but the story is likely too good to be true.8 Leaders sometimes see indirect relationships between starting war and reaping domestic political benefits, such as the possibility that Lyndon Johnson escalated the Vietnam War in 1965 to protect his Great Society program from domestic political attack.9 Some quantitative studies have found that the presence of internal problems like declining economic growth, rising inflation, partial democratization, or declining leader popularity are correlated with an (often slightly) increased likelihood in the use of force. However, these relationships are often limited in scope, occurring only under certain economic or political conditions.10 Any possible diversionary effects might in turn be moderated by the tendency of states to avoid provoking other states that might have diversionary incentives.11

### 1NC Stability

#### Zero risk of terrorism- their impact is alarmism

Mueller ’12 (John, Senior Research Scientist at the Mershon Center for International Security Studies and Adjunct Professor in the Department of Political Science, both at Ohio State University, and Senior Fellow at the Cato Institute. Mark G. Stewart is Australian Research Council Professorial Fellow and Professor and Director at the Centre for Infrastructure Performance and Reliability at the University of Newcastle in Australia, The Terrorism Delusion, International Security, Vol. 37, No. 1, pp. 81–110, Summer 2012)

Over the course of time, such essentially delusionary thinking has been internalized and institutionalized in a great many ways. For example, an extrapolation of delusionary proportions is evident in the common observation that, because terrorists were able, mostly by thuggish means, to crash airplanes into buildings, they might therefore be able to construct a nuclear bomb. In 2005 an FBI report found that, despite years of well-funded sleuthing, the Bureau had yet to uncover a single true al-Qaida sleeper cell in the United States. The report was secret but managed to be leaked. Brian Ross, “Secret FBI Report Questions Al Qaeda Capabilities: No ‘True’ Al Qaeda Sleeper Agents Have Been Found in U.S.,” ABC News, March 9, 2005. Fox News reported that the FBI, however, observed that “just because there’s no concrete evidence of sleeper cells now, doesn’t mean they don’t exist.” “FBI Can’t Find Sleeper Cells,” Fox News, March 10, 2005. Jenkins has run an internet search to discover how often variants of the term “al-Qaida” appeared within ten words of “nuclear.” There were only seven hits in 1999 and eleven in 2000, but the number soared to 1,742 in 2001 and to 2,931 in 2002. 47 By 2008, Defense Secretary Robert Gates was assuring a congressional committee that what keeps every senior government leader awake at night is “the thought of a terrorist ending up with a weapon of mass destruction, especially nuclear.” 48 Few of the sleepless, it seems, found much solace in the fact that an al-Qaida computer seized in Afghanistan in 2001 indicated that the group’s budget for research on weapons of mass destruction (almost all of it focused on primitive chemical weapons work) was $2,000 to $4,000. 49 In the wake of the killing of Osama bin Laden, officials now have many more al-Qaida computers, and nothing in their content appears to suggest that the group had the time or inclination, let alone the money, to set up and staff a uranium-seizing operation, as well as a fancy, super-high-technology facility to fabricate a bomb. This is a process that requires trusting corrupted foreign collaborators and other criminals, obtaining and transporting highly guarded material, setting up a machine shop staffed with top scientists and technicians, and rolling the heavy, cumbersome, and untested finished product into position to be detonated by a skilled crew—all while attracting no attention from outsiders. 50 If the miscreants in the American cases have been unable to create and set off even the simplest conventional bombs, it stands to reason that none of them were very close to creating, or having anything to do with, nuclear weapons—or for that matter biological, radiological, or chemical ones. In fact, with perhaps one exception, none seems to have even dreamed of the prospect; and the exception is José Padilla (case 2), who apparently mused at one point about creating a dirty bomb—a device that would disperse radiation—or even possibly an atomic one. His idea about isotope separation was to put uranium into a pail and then to make himself into a human centrifuge by swinging the pail around in great arcs. Even if a weapon were made abroad and then brought into the United States, its detonation would require individuals in-country with the capacity to receive and handle the complicated weapons and then to set them off. Thus far, the talent pool appears, to put mildly, very thin. There is delusion, as well, in the legal expansion of the concept of “weapons of mass destruction.” The concept had once been taken as a synonym for nuclear weapons or was meant to include nuclear weapons as well as weapons yet to be developed that might have similar destructive capacity. After the Cold War, it was expanded to embrace chemical, biological, and radiological weapons even though those weapons for the most part are incapable of committing destruction that could reasonably be considered “massive,” particularly in comparison with nuclear ones. 52

#### No Retaliation

Jenks-Smith and Herron ‘5 (Hank and Kerry, Professor and adjunct professor at George Bush School of Government and Public Service at Texas A&M University. “United States Public Response to Terrorism: Fault Lines or Bedrock?”, Review of Policy Research, Lexis, September 2005)

Our final contrasting set of expectations relates to the degree to which the public will support or demand retribution against terrorists and supporting states. Here our data show that support for using conventional United States military force to retaliate against terrorists initially averaged above midscale, but did not reach a high level of demand for military action. Initial support declined significantly across all demographic and belief categories by the time of our survey in 2002. Furthermore, panelists both in 2001 and 2002 preferred that high levels of certainty about culpability (above 8.5 on a scale from zero to ten) be established before taking military action. Again, we find the weight of evidence supporting revisionist expectations of public opinion. Overall, these results are inconsistent with the contention that highly charged events will result in volatile and unstructured responses among mass publics that prove problematic for policy processes. The initial response to the terrorist strikes demonstrated a broad and consistent shift in public assessments toward a greater perceived threat from terrorism, and greater willingness to support policies to reduce that threat. But even in the highly charged context of such a serious attack on the American homeland, the overall public response was quite measured. On average, the public showed very little propensity to undermine speech protections, and initial willingness to engage in military retaliation moderated significantly over the following year.

#### No impact to bioweapons

Easterbrook ‘3 (Gregg Easterbrook, senior fellow at The New Republic, Wired, “We’re All Gonna Die!” <http://www.wired.com/wired/archive/11.07/doomsday.html?pg=2&topic=&topic_set>=, July 2003)

3. Germ warfare!Like chemical agents, biological weapons have never lived up to their billing in popular culture. Consider the 1995 medical thriller Outbreak, in which a highly contagious virus takes out entire towns. The reality is quite different. Weaponized smallpox escaped from a Soviet laboratory in Aralsk, Kazakhstan, in 1971; three people died, no epidemic followed. In 1979, weapons-grade anthrax got out of a Soviet facility in Sverdlovsk (now called Ekaterinburg); 68 died, no epidemic. The loss of life was tragic, but no greater than could have been caused by a single conventional bomb. In 1989, workers at a US government facility near Washington were accidentally exposed to Ebola virus. They walked around the community and hung out with family and friends for several days before the mistake was discovered. No one died. The fact is, evolution has spent millions of years conditioning mammals to resist germs. Consider the Black Plague. It was the worst known pathogen in history, loose in a Middle Ages society of poor public health, awful sanitation, and no antibiotics. Yet it didn’t kill off humanity. Most people who were caught in the epidemic survived. Any superbug introduced into today’s Western world would encounter top-notch public health, excellent sanitation, and an array of medicines specifically engineered to kill bioagents. Perhaps one day some aspiring Dr. Evil will invent a bug that bypasses the immune system. Because it is possible some novel superdisease could be invented, or that existing pathogens like smallpox could be genetically altered to make them more virulent (two-thirds of those who contract natural smallpox survive), biological agents are a legitimate concern. They may turn increasingly troublesome as time passes and knowledge of biotechnology becomes harder to control, allowing individuals or small groups to cook up nasty germs as readily as they can buy guns today. But no superplague has ever come close to wiping out humanity before, and it seems unlikely to happen in the future.

#### Other sources of corruption destroy the Mexican economy

Padgett, ’13 [3/8/13, Tim Padgett is a Miami-based journalist and TIME contributor, “Mexico’s New Boom: Why the World Should Tone Down the Hype”, <http://world.time.com/2013/03/08/mexicos-new-boom-why-the-world-should-tone-down-the-hype/>]

So as someone who has covered the country for almost 25 years, I tend to be wary when I see the blood-soaked headlines yielding all of a sudden to rose-colored banners hailing Mexico as “the Aztec Tiger” or “the New China.” Or when eminent columnists like the New York Times‘ Thomas Friedman rather hastily assert that Mexico will become a “more dominant economic power in the 21st century” than China. To his credit, Friedman points out that “crime syndicates, government corruption and weak rule of law hobble the nation.” But I worry about the emergence of an overweening boosterism that forgets what happened two decades ago—when belief in another Mexican miracle helped lead to one of the worst financial disasters in the country’s history. This latest episode of It’s Always Sunny in Mexico evokes a familiar pattern. Because Mexico is attached to our southern border, it’s the only Latin American country that Washington and Wall Street feel they actually have to engage. Even so, they engage it grudgingly, and they get irritated when the media focus on its dysfunction—as was the case in the 1980s, Mexico’s Lost Decade of epic debt crisis. After Harvard-educated President Carlos Salinas de Gortari took office in 1988 and called for capitalist reforms that included a North American Free Trade Agreement, or NAFTA, word came down to us Mexico-based journalists from U.S. officials and business executives: All is transformed south of the border. Get with the program. (MORE: Mexico Goes After the Narcos — Before They Join the Gangs) Salinas and his Armani-clad technocrats sold that bogus Mexican Miracle of overnight development remarkably well. So effectively, in fact, that few in the U.S. took notice when Mexico’s Potemkin façade, cracked by an indigenous uprising and a spate of political assassinations, started collapsing in 1994, culminating in a calamitous peso crash that required a $50 billion U.S. bailout. So forgive some of us if, almost 20 years later, we’re a bit reluctant to declare another fast-track Mexican Miracle and set aside our concerns about Mexico’s lingering dysfunction. Not just the mafia bloodletting, but the nagging failure to modernize a corrupt and incompetent judicial system. Not just the social inequality, which is still too vast, but the shameless business monopolies that exacerbate it by choking off competition and inflating prices. And we’re sorry if a lot of the new Mexican Miracle math doesn’t add up for us, either. The World Bank says 95% of Mexicans today are either in the middle or upper class. Really? Last I saw, Mexico’s official poverty rate was 45%.

#### Squo Solves Economy

Webber, 7/16 [7/16/13, Jude Webber is a reporter for the financial times, “Mexico plans $316bn for infrastructure”, http://www.ft.com/intl/cms/s/0/df02d3d4-ed9e-11e2-8d7c-00144feabdc0.html#axzz2ZhxCwNUa]

Mexico has unveiled a “transformational” six-year plan to invest $316bn in thousands of miles of new roads, railways, telecoms infrastructure and overhauling ports that Enrique Peña Nieto, the president, says will boost competitiveness for exporters and power growth. The planned 4tn peso total investment in infrastructure from 2013 to 2018 could add up to around 5 per cent of gross domestic product. The prospect sent shares in steelmaker Industrias CH and Empresas ICA, the country’s biggest construction firm, rising 3.3 and 3.2 per cent respectively on Mexico’s stock market. The ambitious plan, hotly awaited among a roster of reforms promised by the president who took office last December, includes both government and private-sector investment not only in transport and communications, but also in Pemex, the state oil company, the federal electricity commission and national water entity. “With better infrastructure, more investment and transformational reforms, our nation will be able to grow at its full potential,” Mr Peña Nieto said, adding that infrastructure in Latin America’s No. 2 economy was out of step with its level of competitiveness. He said the reforms “cannot be delayed to consolidate Mexico as a true emerging economic power in the 21st century”. The president did not spell out planned spending in the energy sector, but said 582bn pesos ($46bn) would go toward transport-related projects and some 700bn pesos to telecoms. Included among projects are three passenger rail lines and two urban commuter train lines, as well as cargo train projects and four “international class” ports, though no new airport for Mexico City was included. Communications projects included two new satellites and two new TV channels. The president said that if a planned tax reform due to be put to Congress in September is passed, investment could even be higher. Analysts said the fine print of the package still had to be examined but initial reactions were positive. “If you really get those [projects] going, it’s more than enough,” Alonso Quintana, chief executive of ICA, told Bloomberg at an event in Mexico City at which the president unveiled the plan.

#### Mexican econ resilient

IMF, 12 [March 2012, Internatioinal Monetary Fund, “Mexico: Financial System Stability Assessment”, http://www.imf.org/external/pubs/ft/scr/2012/cr1265.pdf, Accessed 7/11/13, ML]

Mexico’s strong economic policies ¶ underpinned the recovery following the ¶ global financial crisis. Mexico was hit hard ¶ by the global crisis; growth fell sharply in ¶ 2009 and financial markets came under ¶ severe pressure. However, strong ¶ fundamentals (including substantially ¶ strengthened balance sheets) and a skillful ¶ policy response (Box 1) helped maintain ¶ stability and supported a strong rebound in economic activity. This was assisted by an effective ¶ macroeconomic policy framework—the inflation target regime ensured price stability, the ¶ flexible exchange rate worked as a key shock absorber limiting capital flow volatility, and fiscal ¶ policy was guided by a balanced budget rule (Table 3). ¶ 2. Growth has remained resilient this year, and is expected to moderate. Exports—¶ especially of manufactured goods to the U.S.—have been an important contributor to Mexico’s ¶ recovery after the crisis. Domestic demand has been aided by a growing payroll, recovering ¶ credit growth, and the strong balance sheets of banks, corporates, and households. The exchange ¶ rate depreciated as investors covered currency exposures in the context of the global financial ¶ turmoil (divestment from short-term sovereign paper was rather modest and investors have ¶ maintained their positions in long-term paper). The inflation outturn has been better than ¶ expected, and inflation expectations are well anchored.