Global Capitalism and the Search for Alternatives

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The current financial crisis marks the end of the reign of the neo-liberal economic dogma that has dominated mainstream economic policy over the past 30 years. Milton Friedman and his followers from the Chicago School of Economics ignited an unprecedented reign of neo-liberalism that was aptly summarised as "disaster capitalism" by Naomi Klein in her recent book "The Shock Doctrine". This book documents in detail how neo-liberalism left a trail of human devastation accompanied by record profits for the ruling corporations, aided by Western governments, particularly the US administration (Klein 2007).

The current crisis thus has to be placed within the context of a history of neo-liberal globalisation and the debate about alternatives cannot be limited to the question of how the current financial and economic system can be rescued. Such an approach constitutes a mere tinkering on the fringes without addressing the structures that generate and uphold huge levels of global inequality, both between and within countries. Any credible alternative will have to address the systemic questions and move beyond the confines of rescue packages for banks and policies of "adjustment with a human face". Kategekwa (2008) pointed out that *"The injection of large sums to recreate liquidity is a short term solution. It does not redress the systemic issues that led to the world's largest crisis after the great depression."*

This paper will briefly highlight why neo-liberal globalisation cannot be sustainable and how it destroyed livelihoods in Africa, particularly in the forms of Structural Adjustment Programmes and its successor, the Poverty Reduction Strategy Papers (PRSPs). The paper will then present an encouraging new initiative from Namibia, the Basic Income Grant (BIG) as well as Venezuela's "Socialism of the 21st Century" as possible alternatives. Reference is also made to the project of Alternatives to Neo-Liberalism in Southern Africa (ANSA).

The ongoing crisis of globalisation

Many governments, global financial institutions like the World Bank and the IMF, as well as the powerful Transnational Corporations (TNCs) have continuously claimed that globalisation will ultimately improve the livelihoods of people all over the world. They argued for years that opening up trade and markets would lead to prosperity everywhere. During the Doha round of trade negotiations in 2001, for example, the

World Bank presented a study which suggested that further global trade liberalisation would lift another 300 million people out of poverty by 2015 (Tandon 2008). These assumptions and false promises were sharply contradicted by the experiences of the majority of the people in the "Third World", especially in Africa. Africa's rural and urban working people, especially women have borne the brunt of the failed policies that are part of the globalisation process during the last three decades.

Initially, the drive towards globalisation was largely a response to the global economic crisis of the early 1970s (Murray 2000). The emerging "New World Order" was characterised by fast movements of capital across borders, by the establishment of a global set of economic rules and by the emergence of powerful TNCs. "Competition" and "international competitiveness" became permanent features of the overall neo-liberal ideology of a global capitalist system, which was dominated by corporate interests. For industrialists and bankers, competitiveness has become the short-term goal as a way of achieving profits in the long run. Governments strive to make their countries competitive in order to attract investments, hoping that this would solve the burning problems of unemployment and poverty (see for example Petrella 1996; Ruigrok and van Tulder 1995). As a result, countries compete with each other by offering increasing concessions to TNCs. This is evident, for example in the creation of Export Processing Zones (EPZs) where increasing concessions are offered to foreign investors.

Far from ushering in an era of rising standards of living, globalisation has dramatically widened the levels of inequality. According to the Financial Mail:

> *"At the start of the 19th century the ratio of real incomes between the world's richest and poorest countries was three to one. By 1990 it was 10 to one. By 2000 it had risen to 60 to one"* (quoted in Seabrook 2000).

Today, this ratio is estimated to be around 80 to 1 with Africa being worst hit by increasing poverty. Michael Chossudovsky (2003) pointed out that:

> *"The New World Order feeds on human poverty and the destruction of the natural environment. It generates social apartheid, encourages racism and ethnic strife, undermines the rights of women and often precipitates countries into destructive confrontations between nationalities."*

It is important to note that the globalisation of poverty occurred during a period of rapid technological and scientific advances. It was not the result of a lack of productive resources. However, as Transnational Corporations (TNCs) spread their production processes over the globe, better-paid workers in the North were pit against vulnerable workers in the South. TNCs cut production costs through downsizing, restructuring and the relocation of production to cheap labour locations. This reduced the earnings of workers in the industrialised countries and increased unemployment there without a corresponding increase of employment and standards of living in developing countries. This is exemplified by the relocation of US and Canadian companies to Mexico's "maquiladoras", which are Export Processing Zones (EPZs) along the US-Mexican border. Wages in the maquiladoras are about 10% of those paid in the US and half of those in the rest of Mexico Brecher and Castello 1991). However, high-skill jobs and technology have essentially remained in the industrialised countries.

Unemployment now affects nearly a third of the global workforce and the abundant supply of cheap labour in the "Third World" and Eastern Europe contributes to depressing wages even in industrialised countries. Real wages in the low-wage countries are as much as 70 times lower than those paid in the US, Western Europe and Japan. Global corporations use this scenario to minimise labour costs and to achieve high levels of "corporate efficiency" through plant closures, mergers and acquisitions, market control and downsizing. The underlying rule is "survival of the fittest" as the enterprises with the most advanced technologies or those with command over the lowest wages will survive in a world economy marked by overproduction (Chossudovsky 2003).

At the macro-economic level, such measures have the opposite effect: they lead to mass unemployment and poverty, bankruptcy of local SMEs and unutilised industrial capacity. Thus, despite the rapid technological advances, there is a stagnation in the production and supply of essential goods and services, simply because the impoverished majority of the world's population cannot buy the production output. The ultimate contradiction of the global capitalist system is that *"the very process of expanding output (through downsizing, lay-offs and low wages) contributes to compressing society's capacity to consume"* (Ibid).

Despite the global economic stagnation, the world's largest corporations have experienced unprecedented growth and expansion of their share in the global market at the expense of local, regional and national producers. The "free market" reforms as promoted by the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) opened up new markets and production sites for TNCs and ensured profitability through low wages and deregulated labour markets. Likewise, the G7 macro-economic policies paved the way for corporate mergers and acquisitions as well as the accompanying large-scale bankruptcy of small and medium-sized enterprises. Countries who refused to "open-up" their economies were confronted with a combined onslaught from the IMF-World Bank-WTO who use the lever of loan conditionalities and aid (sometimes even military threats in co-operation with NATO) to deal with "trouble-spots" (Ibid).

The liberalisation of capital movements is one of the features of global capitalism and TNCs were shedding much of their traditional in-house functions and replace them by outsourcing. They built networks of dependant small and medium-sized enterprises and are supplying global markets. For example, the sports shoe company Nike employed only 9000 core workers directly, but there were 75 000 workers in the chain of sub-contractors which supplied Nike (ICFTU 1996). Some TNCs have gone as far as selling their name only while leaving manufacturing to others. Examples are Kodac, Olivetti, Siemens and General Motors (Gallin 1994). TNCs thus controlled about 70% of all world trade and already by the mid-1990s over a quarter of the world's economic activity took place within the 200 largest corporations (ILRIG 1996).

TNCs took control over local markets through a system of corporate franchising. This ensured that a large share of the earnings accrued to TNCs while the bulk of the investment outlays had to be shouldered by the "independent producer" in the low-wage countries. Global corporations essentially service a limited consumer market of about 15% of the world's population plus a small elite the "Third World" and Eastern Europe. This group engages in "high income consumption" of imported consumer goods and services such as travel and leisure, automobiles, electronics and telecommunications. On the other hand, production for mass consumption to satisfy basic human needs of the majority declined due to rising levels of poverty. The collapse of mass-based consumer markets in turn led to more plant closures and bankruptcies (Chossudovsky 2003).

The "New World Order" thus created a vicious cycle: The relocation of industries to cheap-labour location leads to economic dislocation and rising unemployment in industrialised countries. As a result, spending power there and markets for developing countries decline which leads to intensified competition and reduced production as well as economic stagnation in the "Third World".

In recent years, the global economic system produced a kind of "rentier economy" in the industrialised countries. This economy does no longer produce actual goods but is centred in the services sector. It is a "high-technology economy based on the ownership of industrial know-how, product design, research and development" (Chossudovsky 2003). This economy dominates over the "material production" and accounts for the bulk of the income from value addition. Royalties and licensing fees for the use of technology, brand names, product designs and value addition by distributors, wholesalers and retailers account for much more than what the actual producers receive. Material production takes place in a low-wage country but the largest amounts for value addition are recorded in the importing industrialised country. The following examples illustrate this point:

- The retail price for coffee is 7-10 times higher than the import price and about 20 times the price paid to the coffee farmer.
- Designer shirts produced in South East Asia are sold in Europe for 5-10 times their import price.
- Less than 2% of the total value of shirts produced in Bangladesh are received by the direct producers as wages. The profit by local companies is equivalent to about 1% of total value.
- About 70% of the total value in the clothing sector consists of firstly profits of distributors, wholesalers and retailers; secondly costs for transport and storage etc; and thirdly customs duties and indirect taxes imposed by the importing (industrialised) country (ibid).

Furthermore, when accumulated capital can no longer find sufficient profitable outlets in productive investment, it is turned into speculative investment. Such "liquefied" capital is invested in stock markets and can be withdrawn in seconds. To engage in such speculative investment, TNCs need de-regulated financial markets and an end to foreign exchange controls (Holloway 1995). However, speculative investments make national economies extremely vulnerable as shown by the events in Mexico at the end of 1994, the Asian crisis in 1998. Speculative short-term investment ("hot money") was withdrawn in huge amounts within hours and the stock market collapsed. In the mid-1990s, the International Confederation of Free Trade Unions (ICFTU) described the deregulated financial world as a "massive global casino". It pointed out that as obstacles to capital flows were reduced, world-wide communication systems were installed and national states' power to intervene was limited, financial markets were allowed to become their own masters (ICFTU1996). A decade later, the newly formed International Trade Union Confederation (ITUC) sounded an even sharper warning:

> *"The debt leverage presently undertaken by private equity and hedge funds represents a great risk to the stability of financial markets. Many funds are so heavily loaded with debt that they risk defaulting if market conditions change. Due to their increasing size, this may start a domino effect with detrimental consequences for the major financial markets… Risks and rewards are extremely unevenly divided in the private equity model. Workers bear the brunt of risks, costs and sacrifices while managers of private equity firms pocket the gains. This constitutes a basic injustice – the cruellest kind of capitalism – and needs to be subjected to rules and regulations so that the risks and the benefits are shared"* (ITUC 2007).

Likewise, the Bank for International Settlements (BIS) indicated in its Annual Report of June 2007 that "years of loose monetary policy have fuelled a giant credit bubble, leaving us vulnerable to another 1930s slump" (quoted in Wade 2008). This warning, however, was largely ignored by firms and regulators and as recently as May 2008 some commentators argued that the crisis was just a temporary hick-up (Wade 2008). Those sounding warnings were proven right when the crisis of financial de-regulation fully erupted in September 2008, following decades of neo-liberal gospel that de-regulation and liberalisation were the pathway to efficiency in the allocation of resources and thus would lead to economic growth and development (Kategekwa 2008).

Effects of globalisation in Africa

One of the most obvious legacies of globalisation in Africa are the Structural Adjustment Programmes (SAPs) of the World Bank and the International Monetary Fund (IMF). The effects of these policies are visible in virtually all African countries, although the manifestations are different. According to their proponents, SAPs were meant to lead to economic growth and improve a country's competitiveness through increased investments. In reality, however, SAPs were built on the fundamental condition that debtor countries had to repay their debt in hard currency. This lead to a policy of "exports at all costs" because exports are the only way for developing countries to obtain such currencies. A first feature of SAPs was therefore a switch in production from meeting local needs towards export orientation. Since the 1980s dozens of countries have followed these policies simultaneously. They often exported the same primary commodities, competed with each other and then suffered because of declining world market prizes for their commodities. Between 1980 and 1992, for example, developing countries lost 52% of their export income due to deteriorating prizes (see Touissant and Comanne 1995; George 1995; Bournay 1995).

SAPs have 4 fundamental objectives according to which they are shaped:

1. Liberalisation: promoting the free movement of capital; opening of national markets to international competition.

2. Privatisation of public services and companies.
3. De-regulations of labour relations and cutting social safety nets.
4. Improving competitiveness (Toissant and Comanne 1995)

Based on these objectives, SAPs prescribe nearly always the same measures as a condition for new loans. These are:

- reduction of government deficit through cuts in public spending (cost recovery programmes);
- higher interest rates
- liberalisation of foreign exchange rules and trade (deregulation);
- rationalisation and privatisation of public and parastatal companies;
- deregulation of the economy, for example:
    - liberalisation of foreign investment regulations
    - deregulation of the labour market, e.g. wage 'flexibility'
    - abolishing price controls and food subsidies
- shift from import substitution to export production (Isaacs 1997)

These measures forced countries on a path of deregulated free market economies and integration into the global economy. The IMF and World Bank basically determine countries' macro-economic policies, they take control over central bank policies and over public expenditure through the so-called "Public Expenditure Review". SAPs promote the principal of cost-recovery for social services and the gradual withdrawal of the state from basic health and educational services. Under its "Public Investment Programme" the IMF even decides what type of infrastructure should be built while an imposed system of international tender ensures that public-works projects are carried out by international construction and engineering firms (Mandaza 1996; Chipeta 1996; Kapijimpanga 1996; Chossudovsky 2003).

Although several countries were sceptical about such neo-liberal policies, they were forced to abandon socialist or even social democratic ideas. In this way, the debt crisis provided the IMF and World Bank with a very effective instrument of disciplining "rebellious" countries. Debtor countries were kept in a "strait-jacket", which prevented them from implementing their own economic policies (George 1995; Chossudovsky 1995).

Despite the IMF and World Bank claims of SAP successes, it is widely acknowledged that SAPs have failed to achieve their goals. They have not created wealth and economic development as unregulated markets did not benefit the poor and failed to protect the delivery of social services. The IMF/World Bank claimed that the elimination of protective tariffs would make domestic industries more competitive. In reality, domestic manufacturing often collapsed and imported consumer goods replaced domestic production. Other results of SAPs were:

- Privatisation allowed international capital to buy state enterprises at very low costs.
- Tax reforms under SAPs (like the introduction of VAT) placed a greater tax burden on middle and low-income groups while foreign capital received generous tax holidays.

- Deregulation of the banking system led to very high interest rates which made most goods unaffordable to the majority.
- Elimination of subsidies and prize controls, coupled with devaluation led to price increases and reduced real earnings in the formal and informal sectors.
- Free movement of foreign exchange allowed foreign companies to repatriate their profits. It also allowed the "laundering" of 'dirty money' from offshore banking accounts.
- Cost-recovery programmes in the health sector increased the inequality in health care delivery, reduced health coverage and increased the number of people without access to health care.
- Various NGOs funded by international aid agencies gradually took over government functions in the social sector.
- Cuts in public sector employment (for example 300 000 civil servants were retrenched in Zaire - now DRC - in 1995), coupled with bankruptcies of local companies led to large increases in unemployment.
- Liberalisation of the labour market led to the elimination of cost of living adjustment clauses in collective agreements and to the phasing out of minimum wage legislation.
- Export orientation in agriculture eliminated subsistence crops and accelerated the exodus of the unemployed from rural areas towards the cities (Touissant and Comanne 1995).

In Africa, SAPs have not created wealth and economic development as unregulated markets did not benefit the poor and failed to protect the delivery of social services. Overall, SAPs reversed some of the achievements made by African states in the post-colonial era. Most countries have returned to their former dependency and subordination to the industrialised world. Chipeta (1996) pointed out that this was no accident as SAPs were not designed to promote genuine economic development: *"Each policy is designed to fail so that the implementing country can enter into another programme"*. In other words, an implementing country becomes permanently locked into SAPs, which are designed according to corporate interests.

SAPs as a part of the broader process of globalisation have increased the manoeuvring space for TNCs to an unprecedented level. However, it is important to point out that the political and economic elite of developing countries has also played a crucial role in the adjustment process. These elites often used the initial loans for their own benefits. They continued a life in luxury while telling their people to tighten their belts. Even under structural adjustment they were hardly the ones who suffered and sometimes even benefited from SAPs. When public services deteriorated or disappeared they could afford private schools and hospitals. They often benefited from privatisation by obtaining functioning enterprises at give-away prices and they benefited from low labour costs as a result of labour flexibility. Samir Amin (2002) pointed out that this collusion between the African ruling classes and the global strategies of imperialism were the ultimate causes of Africa's failures during the past 30 years.

The Poverty Reduction Strategy Papers (PRSPs)
Towards the end of the 1990s, the IMF and World Bank reluctantly had to admit that SAPs had largely failed. They were then replaced by Poverty Reduction Strategy Papers (PRSPs), which became the new approach for debt relief and new loans. PRSPs placed more emphasis on the participation of "civil society", on the delivery of social services and on outcome-related goals for poverty reduction within the context of the Millennium Development Goals. However, economic and trade liberalisation (including privatisation) as well as other structural reforms to speed up Africa's integration into the global economy remained key pillars of PRSPs – just like they had been for SAPs. PRSPs thus did not offer an alternative to SAPs and are based on the same economic framework. In Zambia, for example, trade unions and civil society participated in the drafting of the PRSP and called for an end to the further privatisation of the last remaining public assets. Even the country's president supported this demand but the IMF representative issued a warning that Zambia could lose its debt relief of US$ 1 billion if it stopped further privatisation (Kanyenze 2007).

The end of neo-liberalism?
The global financial crisis may well mark the end of neo-liberalism and the "Washington Consensus". Looking back at economic history since the second world war, Wade (2008) described neo-liberalism as a system of international economic norms and rules that lasted from about 1975 until 2007-08. He warned that the debate in the wake of the financial crisis may result in some radical proposals but that over time there might be (once again) a return to "business as usual". There are, however, indications that we may have entered a new phase beyond neo-liberalism and that greater state intervention in and regulation of the economy may become more acceptable in the years to come. It remains to be seen, however, if such intervention is geared towards redistribution and structural change or merely as a measure to safeguard corporate interests.

Yash Tandon (2008) exclaimed that *"the neoliberal ideology and the Washington Consensus are in tatters. Globalisation, once touted as an inevitable phenomenon, like gravity in physics, is exposed to what in reality it always was – a project of the North to globalise its corporate power."* This points to a historic opportunity to define a radical alternative that will usher in structural changes and meet the needs of the world's majority in the "Global South".

The search for alternatives
There is a growing consensus among labour, community and environmental activists that the search for theoretical and practical alternatives to neo-liberal globalisation is essential. The ongoing protests at meetings of the IMF, World Bank and World Trade Organisation (WTO) are indications of growing resistance. While some economists have continued to argue that globalisation "can be a positive force for the economic growth in Africa if it is properly embraced by our economies" (Gaomab II, 2000), others pointed out that :

> *" Without a change in World Bank/IMF policy on debt relief, without an end of dogmatic market liberalism as a condition for aid, without a clampdown on*

predatory outside forces, without protection of all sorts, Africa seems doomed to stay marginalised" (Leys and Saul 1999).

Over the years, several proposed responses to globalisation were tabled by activists and movements in various countries. These centred around attempts to create mechanism to control the sweeping powers of the global corporations which control the world's resources. Such initiatives *inter alia* included proposals for a Tobin Tax on speculative investments as well as attempts to safeguard workers' and environmental rights. Globalisation certainly requires new and innovative responses. Some international trade unions, for example, called for new forms of international workers' organisations to face the challenge of a globalising world. The former secretary general of the international food workers' union IUF, Dan Gallin argued the ability to effect change was a question of power and organisation and that the labour movement thus had to think and organise globally. Such a global approach to unionism had to involve the union membership directly, for example when bargaining with a TNC. Gallin (1994) argued that these companies should be organised wherever they operate and thus cross-border collective bargaining should become a top priority for the labour movement.

However, labour cannot focus narrowly on bargaining if it wants to fight for a just and equitable distribution of resources. Broader tasks such as the democratisation of the global economic system, challenging the concentration of private wealth and ownership, disarming financial markets, redistributing income and wealth, restoring human rights and building socially responsible developmental states go way beyond an international bargaining agenda.

Samir Amin has pointed out that the solution to Africa's development problems cannot lie in a further "integration" into the global economy. In fact, he argued that it is this "integration" under highly exploitative conditions that is responsible to a significant extent for today's misery. Those countries that are industrialised today were initially built as auto-centred (inward-looking) economies and then integrated into the global economic system in ways that are qualitatively different from those of Africa's integration. Amin (2002) therefore called for the building of auto-centred African economies and the selective participation in the global economy. Such participation has to be fundamentally different from the current one that relegates Africa to the role of supplier of natural resources and cheap labour. Similarly, Yash Tandon pointed out that *"Regional integration of countries in the South (and not Free Trade Agreements between the North and the South) should be the basis for development cooperation. The primary institutions for protection against future shocks and for credit for development should be regional"*. Tandon (2008) called for an end to the widespread practice of making development hostage to finance:

> *"The cart is before the horse. A correct realignment of the horse and the cart would be a good start to ensuring that finances serve development and not, as is presently, the other way round."*

These debates are critical for the conceptualisation of alternative development paradigms. They require further elaboration beyond the constraints of this paper. In the following sections I will now present two very concrete initiatives that demonstrate how redistribution may be effected and how alternative development models may be pursued – even under a hostile global environment.

Tackling poverty: The Basic Income Grant (BIG) in Namibia

Namibia is one of the smaller economies in Southern Africa and adopted a market-based economic system after achieving independence in 1990. Foreign investment was seen as a panacea to economic development and increasing concessions were offered to foreign investors, particularly in the country's export processing zones (EPZs) (Endresen and Jauch 2000). Despite creating favourable investment conditions and despite high levels of political stability, Namibia could not break the vicious cycle of mass unemployment, inequality and poverty. Unemployment stands at 37% and reaches over 50% amongst young people (Ministry of Labour and Social Welfare 2006).

In 2002, the Namibian government appointed the Namibia Tax Consortium (NAMTAX) to review Namibia's tax system and to explore ways of addressing poverty and inequality. In its report, the consortium found "that by far the best method of addressing poverty and inequality would be a universal income grant" (quoted in Haarmann 2005). The commission further suggested that the BIG should be set at a level of at least N$ 100 per person per month. This would cover all Namibians from the date of birth until they reach the age of 60 at which time the national old age pension scheme (currently N$ 470 per month) would kick in. The consortium pointed out that the net costs of the Basic Income Grant would amount to about 3% of Namibia's GDP and could be recovered through changes in the tax system, thus making a BIG affordable (Haarmann 2005).

The Namibian government was divided over the question of a BIG for the country. Some regarded it as an unaffordable welfare measure and the International Monetary Fund did its utmost to discourage Namibia's policy makers from implementing the BIG. Thus in 2004, a coalition of churches, trade unions, NGOs and AIDS Service organisations formed the Basic Income Grant Coalition with a view of advocating for the introduction of a BIG in Namibia. After 3 years of debating and lobbying, no breakthrough was achieved. Government ministers and parliamentarians were still divided over the merits of a BIG and the Coalition thus decided to implement a basic income grant in one particular village. This was meant to demonstrate the impact of a BIG in practice.

The chosen location was the settlement of Otjivero in the Omitara district in Eastern Namibia. About 1000 people reside there, most of them retrenched former farm workers and their families who have nowhere else to go. Poverty and desparation were widespread there and the Coalition believed that if the BIG could make a difference in the lives of the residence of Ojtivero, it would certainly be able to make a difference in the rest of the country. The pilot project started in January 2008 with all residents below the age of 60 years receiving a Basic Income Grant of N$100 per person per month, without any conditions attached. The pilot project is accompanies by a research team of local and international researchers that closely monitors the impact over a 2-year period until December 2009.

In September 2008, the BIG Coalition presented its first impact assessment study, comparing the situation in the pre-BIG period (November 2007) with standards of living in July 2008. The key findings were:

1. The community itself responded to the introduction of the BIG by establishing their own 18-member committee to mobilize the community and advise residents on how they could improve their lives with the money. This suggests that the introduction of a BIG can effectively assist with community mobilisation and empowerment

2. Since the introduction of the BIG child malnutrition in the settlement has dropped remarkably. Using a WHO measurement technique, the data showed that children's weight-for-age has improved significantly in just six months from 42% of underweight children to only 17%.

3. Since the introduction of the BIG, the majority of people have been able to increase their work both for pay, profit or family gain as well as self-employment. This finding is contrary to critics' claims that the BIG would lead to laziness and dependency.

4. Income has risen in the community since the introduction of the BIG by more than the amount of the grants. There is strong evidence that more people are now able to engage in more productive activities and fosters local economic growth and development. Several small enterprises started in Otjivero (such as sewing of dresses, baking bread, brick-making etc) making use of the BIG money being spent in the community.

5. More than double the number of parents paid school fees and the parents prioritized the buying of school uniforms. More children are now attending school and the stronger financial situation has enabled the school to improve teaching material for the pupils. The school principal reported that drop-out rates at her school were 30-40% before the introduction of the BIG. By July 2008, these rates were reduced to a mere 5%.

6. The BIG supported and strengthened Government's efforts to provide ARV treatment to people suffering from HIV/AIDS by accessing governments services and enabling them to afford nutrition.

7. The residents used the settlement's health clinic much more frequently since the introduction of the BIG. Residents were able to pay the N$ 4 for each visit and the income of the clinic increased fivefold.

8. The criticism that the grants would lead to more alcoholism were not supported by evidence from the community. On the contrary, the introduction of the BIG has induced the community to set up a committee that is trying to curb alcoholism. Agreement was reached with local shebeen owners not to sell alcohol on the day of the pay-out of the grants.

9. The introduction of the Basic Income Grant has helped young women recipients to take charge of their own lives. Several cases document that young women have been freed from having to engage in transactional sex.

10. Economic and poverty-related crime (illegal hunting, theft and trespassing) has fallen by over 50% (Basic Income Grant Coalition 2008).

The initial results of this pilot project were encouraging and by far exceed the expectations of the BIG Coalition. The local community has embraced the pilot project and is determined to proof its success. The BIG Coalition thus hopes to convince the Namibian government to introduce a country-wide BIG in the near future.

There is no doubt that the BIG is a limited measure and can **not** be a panacea for Namibia's socio-economic challenges. The initiative has to be accompanies by other measures of redistribution, job creation and structural changes. However, the BIG represents a promising starting point that can make an immediate dent in the debilitating and violent poverty that undermines the life chances of so many Namibians.

Venezuela's "Socialism of the 21st Century"

The second initiative I would like to mention is Venezuela's transition to socialism. President Hugo Chavez' "Bolivarian" party won the country's national elections at the end of 1998. The party and the broader Bolivarian movement is named after the icon of Latin America's independence struggle, Simon Bolivar, who was a general in South America's struggle against Spanish colonialism, contributing greatly to the independence of Colombia, Venezuela, Bolivia, Ecuador, Peru and Panama in the19th century. Chavez' party promised to change the political, economic and social landscape through a programme of redistribution and social justice. Until that time, Venezuela had followed the typical free-market policies as promoted by the US administration, the International Monetary Fund and the World Bank. As a result, Venezuela was characterised by severe apartheid-style social divisions between the affluent elite on the one hand and the working class on the other. Since 1999, the Chavez government embarked on a series of radical reforms regarding social service provision, for example access to housing, education and health care (Jauch 2008).

Although these measures were hugely popular amongst the poor, the elite feared the erosion of their privileges. They aligned themselves with the US interests in orchestrating a military coup in April 2002. The coup installed the President of Venezuela's Chamber of Commerce temporarily as President. However, it lasted for only 2 days as hundreds of thousands of Venezuelans gathered around the Presidential palace, refusing to leave until Chavez was released and re-instated as president. Faced with this huge wave of popular resistance, the coup plotters had to surrender and Chavez returned. His government was since re-elected with a solid majority and the ruling party recently transformed itself to the United Socialist Party of Venezuela. Western governments and media have consistently portrayed the

Chavez administration as dictatorial and danger to democracy (Ibid).

Contrary to some media reports, the Chavez government did not pursue policies of expropriation of private companies when it came to power. In 1998, the national oil company, several large manufacturing companies and much of Venezuela's farmland already belonged to the state. What changed was how these resources were utilised to benefit the poor. The royalty fees payable by private oil companies were increased from 1% to 16% and an extraction tax was introduced, earning the country around US$ 10 billion between 2004 and 2007 (Chavez 2008). These resources were used for extensive, health, housing and education programmes, locally known as "missions". Quality health care and education are now free across the country, supported by Cuban medical staff.

Venezuela's achievements are reflected in impressive statistics showing for example how access to university education was broadened for students from poor families, how health services were made accessible, how government tries to redress regional imbalances within the country etc. Since 1999, access to potable water increased from 70% to 95% of the populations; minimum wages were raised to the highest level in Latin America (about US$ 286 per month) and poverty levels dropped significantly. Venezuela's GDP grew on average by 11,8% during the last 4 years and unemployment was reduced to its lowest level in decades – 6,3%. According to the UNDP, Venezuela's Human Development Index increased from 0,69 in 1998 to 0,88 in 2007 while the rate of poverty fell from 50,4% to 33% during that period (Chavez 2008). These are just some of the figures that show how Venezuela managed to significantly improve standards of living within the last 9 years. However, this process must continue and intensify if inequality, poverty and crime are to be wiped out altogether.

New economic policies

The initially moderate economic programme of the Chavez government started changing in 2005 due to pressure "from below". Former workers at a paper mill that had been declared bankrupt and closed by its owners decided to occupy the mill and re-opened it with the support of the local community. Venezuela's parliamentarians then passed a law allowing for the expropriation of the mill and to let it operate under democratic workers management. Since then, workers started seizing other companies that had closed down. A worker and community-led movement for the "recovery" of companies was born and today over 800 companies are run by workers themselves, producing for local needs. In addition, some private companies in strategic economic sectors like oil and cement production were nationalised (Jauch and Shindondola 2008).

Cultural change

As part of the Venezuelan revolution, the country embarked on a process of cultural renewal, moving away from the class-based culture of the past that was linked to churches and colonialism. A census was undertaken at community level and the cultural heritage was expanded from just 600 goods/practices in 1998 to over 90 000 today. This expansion was determined at community level and then documented in the form of a catalogue that is now used at schools. Cultural renewal is on ongoing process and includes restoring pride in identity, especially for those of indigenous and African decent.

The Venezuelan government actively encourages reading, set up a new publishing house and now produces about 2000 titles a year, compared to about 100 before the Chavez government took over. A total of about 9 million books are sold at state bookstores for about US$ 1 per book and student registration at universities increased by 320% since 1999. According to Venezuela's Minister for Culture, Hector Soto: "Venezuela understands culture as revolution. Without a change in cultural values there can be no revolution" (Personal communication, 16 October 2008).

Chavez and participatory democracy

Venezuela's President Hugo Chavez is deeply rooted in his working class constituency; he encourages self-criticism and engages actively with his constituency through the community councils. He thinks openly about the question of socialism, pointing out that there is not just one model and that there has to be tolerance towards different paths while building unity against imperialist domination. Chavez appreciates intellectual challenges and thinks creatively about a post-capitalist society. Practically this is reflected in Venezuela's move towards a 6-hour working day based on the understanding that work does not occur only at the workplace but also includes education, family work, and work for the community (Personal communication, 15 October 2008). The socialist concept of work moves beyond the narrow capitalist categories and the proposal for shorter working days has to be understood in that context.

Chavez interacts with his constituency at the community councils. Far from trying to lecture his people, he listens attentively, engages in debates, appreciates proposals and supports initiatives that give Venezuelans control over their lives again. Chavez and his government take lessons from history seriously by trying to avoid a bloated bureaucracy that will run the country "on behalf of the people". Instead, far more direct and participatory structures of democracy are being set up to enable poor Venezuelans to take control over their own lives. This includes a conscious building of community structures: Community councils and community banks not only receive funding from the state but have autonomy over how this money is spent in their neighbourhood. Food kitchens run in the community centres ensure that each person receives at least a healthy meal each day. These grassroots initiatives are perhaps the most important and revolutionary aspect of the changes that occurred during the past 9 years (Jauch 2008).

Danger of dictatorship?

There are concerns that Venezuela's "Bolivarian revolution" hinges too strongly on the personality of Chavez and that a personality cult might develop and then turn into a dictatorship as happened for example during Stalin's rule in the former Soviet Union. Critics within Chavez' own United Socialist Party pointed out that an emerging layer of bureaucrats lacks the commitment to the ideals of the revolution and may pervert positions of power for personal gain. Chavez is aware of these dangers and recognises that broad-based support and participation through participatory structures at grassroots level (community councils and banks; worker-run factories; community health centres etc.) are the best defence for the achievements made (personal communication, 15 October 2008).

The Bank of the South

Another key achievement of the Chavez government was to break the stranglehold that the IMF and World Bank had over Latin America. In return for loans, these institutions had forced lending countries to adopt neo-liberal policies for the past 30 years. In 2005, the Venezuelan government started providing loans to its neighbours that had no such conditions attached and thus allowed lending countries to set their own developmental priorities. In 2006, Chavez went a step further and proposed the establishment of a new lending institution, the "Bank of the South" which Latin American countries could use as an alternative to the IMF and World Bank. Venezuela, Argentina, Bolivia, Ecuador, Paraguay and Brazil agreed to establish this Bank. Each country will provide 10% of its foreign currency reserves as start-up capital for the new bank. This will certainly diminish the power of the IMF and World Bank and provide a concrete alternative for many countries in their stranglehold (Jauch and Shindondola 2008).

Conclusion

The current global financial crisis, coupled with the ravages of neo-liberal globalisation over the past thirty years, provides a historic moment to review these experiences. It would be tragic if the outcome was nothing more than a "band-aid" strategy for a global financial and economic system that cannot redress inequality and poverty. The time has come to think creatively and to focus on creating a development strategy that will be sustainable (without destroying the planet's ecological base) and that will wipe out poverty by distributing resources equitably.

Namibia's Basic Income Grant Initiative represents a first step in this direction while Venezuela has already implemented several elements of an alternative to the global capitalist system. This is perhaps what is so threatening to conservative critics, including Western government, multinational corporations and global media houses. The questions of social justice, redistribution and self-determination are at the heart of Venezuela's "Socialism of the 21st century". The country is determined to chart its own path without following rigid models. According to Chavez: "Socialism has to be adapted to every region and every country. It has to be invented every time. This is a transition in progress".

Although Venezuela is not yet a socialist country (capitalist modes of production co-exist alongside worker-run factories of social production), it certainly deserves to be classified as in transition towards socialism. Venezuela has recognised the importance of international linkages as reflected in Venezuela's contributions towards preventing the US-sponsored Free Trade Area for the Americas (FTAA). Instead Venezuela and its allies in Latin America are now establishing the Bank of the South as well as the Bolivarian Alternative for the Peoples of our America (ALBA). ALBA is an example of "fair trade" (as opposed to "free trade") where each country provides what it is best placed to produce and receives what it needs most - independent of global market prices. Thus Bolivia provides gas at discounted prices to its neighbours; Venezuela offers subsidised oil to poorer countries and shares its expertise in developing oil reserves; Cuba sends health care professionals and trains students from other countries at its medical schools (Klein 2007). ALBA aims to create a win-win situation for all participating countries without being dependent on private corporations seeking maximum profits.

Such initiatives make Venezuela a leading country in the struggle for social justice today. The time has come for Africans to be bold and to take decisive steps towards a very different development strategy. We can certainly draw a lot of inspiration from countries like Venezuela and the proposals contained in the book on "Alternatives to Neo-Liberalism in Southern Africa" (ANSA) provide a solid base for a debate on the concrete steps to be taken. Changing an entrenched development paradigm will certainly be an ongoing struggle as different class interests (and imperial interests) will inevitably clash. An alternative development agenda will have to be built from below and place redistribution and social justice above the interests of global corporations and their allies among governments. The market-based development paradigm of the past 30 years simply offers no hope for the poor.

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