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Why talk about the Souths

(doi: 10.1406/98096)

Equilibri (ISSN 1594-7580)

Fascicolo speciale, settembre 2020

Ente di afferenza:

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INTRODUCTION

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Why talk about the Souths

by Veronica Ronchi and Giulio Sapelli

The reversal of the magnetic field

The Earth's magnetic field, a manifestation of the great iron mass which is at the centre of the Earth and without which there would be no life on our planet, moves from 50-70 km a year, from Canada to Siberia.

As has already happened on Earth in other geological eras, the North and the South have often reversed due to inexplicable internal upheavals in the core. The identification of what North and South are is connected to the present and to the current contingency and any impression of their immutability is purely conventional.

In the next 30 years, as the Earth's magnetic field could overturn, so the destinies of the wealthy West could drastically change. Just with the advent of the coronavirus pandemic that we are just beginning to experience, it is possible to glimpse a new geostrategic structure of nebulous proportions, but potentially very significant. In physics there is no magnetic monopole, or the possibility of dividing the North from the South: North and South are in fact inseparable, indissoluble. There is no North without South: the first results in the second and vice versa, we cannot study the one without the other.

One issue therefore seems important: compared to the North, over the past twenty years the South has shown a great dynamism, unprecedented in the history of our world. The large

population growth and increase in life expectancy, access to new and more efficient technologies and expansion of productive capacities have made the Souths of the world places of fascinating experimentation, full of new forms of governance, captured and often copied, as *best practices*, from the old West. Alongside of these elements a difficult transition to modernity still coexists, with wide and varied pockets of underdevelopment. Urbanization is often out of control and services are insufficient to cover the major changes taking place. Let's start with the economy.

Global capitalism yesterday and today |

History has become visible again: the Earth has never been flat, society has never been liquid, globalization is appearing now, during the pandemic, for what it is: an extension on a planetary scale of financialised capitalism, different from the industrial and commercial eras we have known previously, with an international financial dysregulation implemented in the early 1980s of the XXth century and then with the entry of China into the WTO in 2001, with a formidable commercial asymmetry and the genesis of a new military imperialism arising from debt burdens. The imposition of the neoliberal financialization paradigm was felt even more where predatory policies were imposed. The «looting» began during the colonial era and stopped only between the second post-war period and the 1970s, when many countries in the South of the world adopted duties, protectionist measures and controls on capital movements to support local industry, that is, Keynesian policies identical to those successfully adopted in the West. But when it was the South of the world that brought them into action, limiting exports of Western companies and increasing local wages, the reaction was strong: first the support for *coups d'état* and then, in the 1980s, the US and Europe assisted the «reason of the debt» for the third world to effectively govern it remotely through adjustment programs managed by the International Monetary Fund. The indications were clear: privatizations, cutting spending on public services, deregulation of the economy and liberalization.

Thus the debt became a weapon via which to spread neoliberalism across the planet. This recipe, justified by forecasting increases in growth rates that would have allowed debt reduction, has led to an exponential increase in poverty. During the 1980s and 1990s, the number of people living with less than USD 5 dollars a day grew by over 1 billion. In Latin America the poverty rate rose from 40% in 1980 to 62% in 1993 and in parallel the share of national income earmarked for wages declined in favour of what ended up in profits. Meanwhile, inequality measured as the gap between the GDP per capita of the United States and that of the various developing regions also shot upwards.

That capitalism was formed from both small and very small businesses and banks, large corporations and universal banks wherein the distinction between investment and commercial banking ended, and where *managerial capitalism* had been transformed to *owner capitalism*, under which ownership and control were no longer separated but instead, managers are holders of stocks and they use them as compensation in the symmetry of information that an appropriate governance allows.

The expanded reproduction of this financialized capitalism has become deeply rooted in the Greater Middle East, Africa, Asia and Latin America, transforming the extractive capitalism described by Samir Amin and earlier, by Michail Kalecky, into a new social and economic formation in its turn divided by the faults not of the economy but of politics. On the one hand there are states that could be called authoritarian polyarchies, with bureaucratic and dirigiste direction, such as China, the polygamous monarchies of the Gulf, Vietnam, and North Korea, together with Cambodia and Laos. And from the other side there are the post-colonial and the post-liberal democratic polyarchies such as India, Japan, and the states of America Latina.

There are also several nations that polyarchically place themselves between these two models and are similar in many ways to the semi-authoritarian states described by Juan Linz in his comparative studies.

State, bourgeoisie and ruling elite

The central issue is the regressive transformation that globalized liberalization over the last thirty years has led to, in the beginning of the primitive accumulation of capital in the ex-colonial states. In South America it has been characterized by the emergence of a local bourgeoisie of imperial and autochthonous origins together, according to the creation model that provided before the State then the Nation.

The creation of African capitalism was very different. Even with the huge historical differences between the different «Africas», the leakage from the commercial and extractive colonial capitalism, when it was realized in various forms, has always been characterized by the permanence of addiction and by unequal exchange guaranteed also by the perennially stronger *compradore* bourgeoisies.

The stratification of a «classic» national bourgeoisie has always been precarious and today more than ever guaranteed by the power of arms and asymmetric proxy wars. This is the specificity of the «African South» compared to the other Souths of the world. However, all the Southern states, more than any other African nation, have been transformed from «providential suzerain states» in a «minimum state» that triggered, with financial liberalization, a Hobbesian situation across all subordinate capitalism. Hence poverty and inequality masked by the growth of parasitic bourgeoisies and middle classes soon proletarianised and increasingly impoverished by the second millennium financial crisis and the hybrid wars.

War is one of the other differentiations that mark the African South in a very special way, both in the configuration of its armed «bourgeoisies» and in its violent and corrupt alveolar capitalism.

There is, in all the Souths of the world, a profound link between the destruction of free trade, rising welfare structures and the increasing capitalization of the smallest states. They are a hinge for the movement of capital

and the chains of extraction of resources, while the fragile structures of so-called humanitarian aid are corrupted.

The circulation of the political classes of the Southern hemisphere is as important as the segmentations of the national and *compradore* bourgeoisies.

And also here it is very important to have a work of comparison and classification of capitalized states, and the diversified appearances of the state and of the forms of authoritarianism, of dictatorships and democracies in their varied constitutional forms.

The class composition of the Souths of the world is also very diversified and it's of primary importance that a comparative description is made if we want to identify the forms of escape from financial and extractive capitalism.

Of great significance are the forms of non privatistic appropriation of resources to re-actualize *common goods*, the cooperative association and neighbourhood economies – social action forms typical of Southern Europe and the Greater Middle East and of all the Souths of the world. They are efficient forms of extra-state or pre-state collective mobilization that characterize those civil societies.

Uneven development

Today, Samir Amin's intuition on uneven development and on the consequences of a global gap, excluding the revolution he proposed that never happened, is very pertinent. If we read the latest *Oxfam World Inequality Report 2019*, tangible traces of that intuition are found. On wealth, the report expresses: «Of all the wealth created in the last year, 82% went to 1% of the population, while 50% of poorer people did not benefit from any increase». The dangerous and low-paid work of the majority of the world's population feeds the extreme wealth of a few.

Wealth and income are increasingly condensed. The share of income that goes to the richest 1% of the world's population has increased in 46 countries out of the 57 for which data are available from 1990 to 2015, while the 40% with the lowest incomes gained 25% less in 92 countries. Societies where inequalities are greatest are least effective in reducing poverty and grow more slowly. In fact, they close the door to economic and social progress.

«Both in the North and in the South of the world, there are mass protests, fuelled by a combination of economic difficulties, growing disparities and job insecurity. Income inequalities and lack of opportunities are causing a vicious circle of disparity, frustration and discontent between generations», words of the UN secretary general, Antonio Guterres.

Trends in disparity are increasingly being influenced by new forces. Technological change, in itself an engine of economic growth, can exacerbate inequalities in wages and cause job losses, especially among workers with medium-low skills.

The new challenges of the South

New technologies are also the cause of the digital divide between nations: almost 87% of the population in developed countries has internet access, while in less-developed economies this only occurs for 19% of the population. Another source of disparity is climate change: the ratio of the income of the richest 10% of the world's population to the poorest 10% is 25% higher than it would be without global warming. Climate change does not affect people in the same way: it has made the countries that were already the poorest in the world poorer and, if it is not contrasted, it will cause millions of people to fall into poverty in the next decade.

Urbanization is also causing disparities: on the one hand it offers great opportunities for economic growth and well-being, on the other in cities, where more than half of the world's population now lives, the disparities

are greater than in rural areas and are increasing. The benefits that derive from international migrations, which often originate in profound inequalities in the countries of origin of migrants, depend on the ways in which they occur. The poorest countries and population groups benefit particularly if legal arrival corridors are offered to less qualified workers, their integration is actively promoted and transaction costs are reduced to transfer money to the families of origin (the average cost is 6.8%, but in Africa it is above 10%).

The disparities, the report underlines, concentrate political influence in the social groups that are already better off, which tend to maintain the opportunity gap or even to increase it. The influence of the «happy few» erodes the government's ability to meet the needs of the majority and even in countries that have fully recovered from the 2008 crisis, popular discontent remains high.

The benefits of policies often go to the wealthiest, as the taxation system seems to demonstrate. The higher rate of taxation – the report notes – has decreased both in developed and developing countries, making the system less progressive. In advanced countries, in particular, it dropped from 66% on average in 1981 to 43% in 2018.

The Souths of the world are therefore faced with countless challenges, which today more than ever light up before our eyes just to see the deads that the inability of the Ecuadorian government and the important inequalities present in that territory literally leave on the street in the emergency Covid-19. Perhaps this historical moment might bring forth discussion about the factors of inequality that afflict those states?

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GIULIO SAPELLI is an Economic Historian, born in Turin in 1947. He graduated with a degree in Economic History, and worked at the Olivetti before teaching at the University of Trieste and, from 1986, the University of Milan, where he was Full Professor. He has spent a great amount of time abroad studying and teaching, in particular at the *École des Hautes Études en Sciences Sociales* in Paris, the London School of Economics and Social Sciences in London, the UBA de Economía in Buenos Aires and the School of Management in Sidney. His works have been translated into English, French, Spanish, Portuguese, Russian, and German.