

To Address Increasing Inequality And Global Poverty, We Must Cancel Debt



*Éric Toussaint - Photo:
cadtm.org*

Massive debt levels are a feature of contemporary capitalism that cannot be eradicated without radical change, says political scientist Éric Toussaint.

“The indebtedness of the working classes is directly connected to the widening poverty gap and increasing inequality, and to the demolition of the welfare state that most governments have been working at since the 1980s,” says Toussaint in this exclusive interview for *Truthout*.

Toussaint — a historian and international spokesperson for the *Committee for the Abolition of Illegitimate Debt* (CADTM), and author of several books on debt, development and globalization — shares his thoughts on debt, inequality and contemporary socialist movements in the conversation that follows.

C.J. Polychroniou: Over the past few decades, inequality is rising in many countries around the world, both across the Global North and the Global South, creating what UN Chief António Guterres called in his foreword to the World Social Report 2020 “a deeply unequal global landscape.” Moreover, the top 1 percent of the population are the big winners in the globalized capitalist economy

of the 21st century. Is inequality an inevitable development in the face of globalization, or the outcome of politics and policies at the level of individual countries?

Éric Toussaint: Rising inequality is not inevitable. Nevertheless, it is obvious that the explosion of inequality is consubstantial with the phase that the world capitalist system [entered into in the 1970s](#). The evolution of inequality in the capitalist system is directly related to the balance of power between the fundamental social classes, between capital and labor. When I use the term “labor,” that means urban wage-earners as well as rural workers and small-scale farming producers.

The evolution of capitalism can be divided into broad periods according to the evolution of inequality and the social balance of power. Inequality increased between the beginning of the Industrial Revolution in the first half of the 19th century and the policies implemented by the administration of Franklin D. Roosevelt in the United States in the 1930s, and then decreased up to the early 1980s. In Europe, the turn towards lower inequality lagged 10 years behind the United States. It was not until the end of World War II and the final defeat of Nazism that inequality-reducing policies were put in place, whether in Western Europe or Moscow-led Eastern Europe. In the major economies of Latin America, there was a reduction in inequality from the 1930s to the 1970s, notably during the presidencies of Lázaro Cárdenas in Mexico and Juan D. Perón in Argentina. In the period from the 1930s to the 1970s, there were massive social struggles. In many capitalist countries, capital had to make concessions to labor in order to stabilize the system. In some cases, the radical nature of social struggles led to revolutions, as in China in 1949 and Cuba in 1959.

The return to policies that strongly aggravated inequality began in the 1970s in Latin America and part of Asia. From 1973 onward, the dictatorship of Gen. Augusto Pinochet (advised by the “[Chicago Boys](#),” the Chilean economists who had studied laissez-faire economics at the University of Chicago with Milton Friedman), the dictatorship of Ferdinand Marcos in the Philippines, and the dictatorships in Argentina and Uruguay are just a few examples of countries where neoliberal policies were first put into practice.

These neoliberal policies, which produced a sharp increase in inequality, became widespread from 1979 in Great Britain under Margaret Thatcher, from 1980 in

the United States under the Reagan administration, from 1982 in Germany under the Kohl government, and in 1982-1983 in France after François Mitterrand's turn to the right.

Inequality increased sharply with the capitalist restoration in the countries of the former Soviet bloc in Central and Eastern Europe. In China from the second half of the 1980s onward, the policies dictated by Deng Xiaoping also led to a gradual restoration of capitalism and a rise in inequality.

It is also quite clear that for the ideologues of the capitalist system and for many international organizations, a rise in inequality is a necessary condition for economic growth.

It should be noted that the World Bank does not consider a rising level of inequality as negative. Indeed, it adopts the theory developed in the 1950s by the [economist Simon Kuznets](#), according to which a country whose economy takes off and progresses must necessarily go through a phase of increasing inequality. According to this dogma, inequality will start to fall as soon as the country has reached a higher threshold of development. It is a version of pie in the sky used by the ruling classes to placate the oppressed on whom they impose a life of suffering.

The need for rising inequalities is well rooted into World Bank philosophy. Eugene Black, World Bank president in April 1961, [said](#): "Income inequalities are the natural result of the economic growth which is the people's escape route from an existence of poverty." However, empirical studies by the World Bank in the 1970s at the time when Hollis Chenery was chief economist contradict the Kuznets theory.

In [*Capital in the Twenty-First Century*](#), Thomas Piketty presents a very interesting analysis of the Kuznets curve. Piketty mentions that at first, Kuznets himself doubted the real interest of the curve. That did not stop him from developing an economic theory that keeps bouncing back and, like all economists who serve orthodoxy well, receiving the Nobel Memorial Prize in Economic Sciences (1971). Since then, inequalities have reached levels never before seen in the history of humanity. This is the result of the dynamism of global capitalism and the support it receives from international institutions that are charged with "development" and governments that favor the interests of the 1 percent over those of the

enormous mass of the population, as much in the developed countries as in the rest of the world.

In 2021, the World Bank reviewed the Arab Spring of 2011 by claiming, against all evidence, that the level of inequality was low in the entire Arab region, and this worried them greatly as it was symptomatic of faults in the region's supposed economic success. As faithful followers of Kuznets' theory, Vladimir Hlasny and Paolo Verme [argue in a paper](#) published by the World Bank that "low inequality is not an indicator of a healthy economy."

Gilbert Achcar summarizes the position taken by Paolo Verme of the World Bank as follows: "[in the view of the 2014 World Bank study](#), it is inequality aversion, not inequality per se, that should be deplored, since inequality must inevitably rise with development from a Kuznetsian perspective."

Finally, the coronavirus pandemic has further increased the inequality in the distribution of income and wealth. Inequality in the face of disease and death has also increased dramatically.

Neoliberal policies have created massive debt levels for so-called emerging markets and developing countries, with debt threatening to create a global development emergency. What's the most realistic solution to the debt crisis in developing countries?

The solution is obvious. [Debt payments must be suspended](#) without any penalty payments being paid for the delay. Beyond suspension of payment, each country must carry out debt audits with the active participation of citizens, in order to determine the illegitimate, odious, illegal and/or unsustainable parts, which must be canceled. After a crisis of the size of the present one, the slates must be wiped clean, as has happened many times before throughout human history. David Graeber reminded us of this in his important book, [Debt: The First 5,000 Years](#).

From the point of view of the [CADTM](#), a global network mainly active in the Global South but also in the North, the need to suspend payments and cancel debt does not only concern developing countries, whether they are emerging or not. It also concerns peripheral countries in the North like Greece and semi-colonies like Puerto Rico.

It is time to dare to speak out about canceling the abusive debts demanded of the

working classes. Private banks and other private bodies have put great energy into developing policy of lending to ordinary people who turn to borrowing because their incomes are insufficient to pay for higher education or health care. In the U.S., student debt has reached over \$1.7 trillion, with \$165 billion worth of student loans in default, while a large part of mortgages are subjected to abusive conditions (as the subprime crisis clearly showed from 2007). The terms of certain consumer debts are also abusive, [as are most debts linked to micro-credit in the South](#).

Indebtedness of the working classes is directly connected to the widening poverty gap and increasing inequality, and to the demolition of the welfare state that most governments have been working at since the 1980s. This is true all over the world: whether in Chile, Colombia, the Arabic-speaking region, Japan, Europe or the United States. As neoliberal policies dismantle their systems of protection, people are obliged, in turn, to incur debt as individuals to compensate for the fact that the states no longer fulfil the obligation incumbent upon them to protect, promote and enact human rights. Cinzia Arruzza, Tithi Bhattacharya and Nancy Fraser emphasized this in their book, [Feminism for the 99%: A Manifesto](#).

What are the alternatives for a sustainable model of development?

As stated in the [manifesto, "End the system of private patents!"](#):

The health crisis is far from being resolved. The capitalist system and neoliberal policies have been at the helm at all stages. At the root of this virus is the unbridled transformation of the relationship between the human species and nature. The ecological and health crises are intimately intertwined.

Governments and big capital will not be deterred from their offensive against the populations unless a vast and determined movement forces them to make concessions.

Among new attacks that must be resisted are the acceleration of automation/robotization of work; the generalization of working from home, where employees are isolated, have even less control of their time and must themselves assume many more of the costs related to their work tools than if they worked physically in their offices; a development of distance learning that deepens cultural and social inequality; the reinforcement of control over private life and over private data; the reinforcement of repression, etc.

The question of public debt remains a central element of social and political struggles. Public debt continues to explode in volume because governments are borrowing massively in order to avoid taxing the rich to pay for the measures taken to resist the COVID-19 pandemic, and it will not be long before they resume their austerity offensive. Illegitimate private debt will become an ever-greater daily burden for working people. Consequently, the struggle for the abolition of illegitimate debt must gain renewed vigor.

The struggles that [arose] on several continents during June 2020, notably massive anti-racist struggles around the Black Lives Matter movement, show that youth and the working classes do not accept the status quo. In 2021, huge popular mobilizations [in Colombia](#) and more recently in Brazil have provided new evidence of massive resistance among Latin American peoples.

We must contribute as much as possible to the rise of a new and powerful social and political movement capable of mustering the social struggles and elaborating a program that breaks away from capitalism and promotes anti-capitalist, anti-racist, ecological, feminist and socialist visions. It is fundamental to work toward a [socialization of banks with expropriation of major shareholders](#); a [moratorium of public debt repayment while an audit with citizens' participation is carried out to repudiate its illegitimate part](#); the imposition of a high rate of taxation on the highest assets and incomes; the cancelation of unjust personal debts (student debt, abusive mortgage loans); the closure of stock markets, which are places of speculation; a radical reduction of working hours (without loss of pay) in order to create a large number of socially useful jobs; a radical increase in public expenditure, particularly in health care and education; the socialization of pharmaceutical companies and of the energy sector; the re-localization of as much manufacturing as possible and the development of short supply chains, as well as many other essential demands.

A few years ago, you argued that the socialist project has been betrayed and needs to be reinvented in the 21st century. What should socialism look like in today's world, and how can it be achieved?

In the present day, the socialist project must be feminist, ecologist, anti-capitalist, anti-racist, internationalist and self-governing. In 2021, we commemorate the 150th anniversary of the Paris Commune when people set up a form of democratic self-government. It was a combination of self-organization and forms of power

delegation that could be questioned at any moment, since all mandates could be revoked at the behest of the people. It has to be clearly stated that the emancipation of the oppressed will be brought about by the oppressed themselves, or will not happen at all. Socialism will only be attained if the peoples of the world consciously set themselves the goal of constructing it, and if they give themselves the means to prevent authoritarian or dictatorial degradation and the bureaucratization of the new society.

What Rosa Luxemburg said in 1918 is as valid today as it was then: “[without a free and untrammelled press, without the unlimited right of association and assemblage](#), the rule of the broad masses of the people is entirely unthinkable.”

[She added:](#)

Freedom only for the supporters of the government, only for the members of one party — however numerous they may be — is no freedom at all. Freedom is always and exclusively freedom for the one who thinks differently. Not because of any fanatical concept of “justice” but because all that is instructive, wholesome and purifying in political freedom depends on this essential characteristic, and its effectiveness vanishes when “freedom” becomes a special privilege.

Faced with the multidimensional crisis of capitalism hurtling towards the abyss due to the environmental crisis, modifying capitalism is no longer a proper option. It would merely be a lesser evil which would not bring the radical solutions that the situation requires.

This interview has been lightly edited for clarity.

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C.J. Polychroniou is a political economist/political scientist who has taught and worked in numerous universities and research centers in Europe and the United States. Currently, his main research interests are in European economic integration, globalization, climate change, the political economy of the United States, and the deconstruction of neoliberalism’s politico-economic project. He is a regular contributor to *Truthout* as well as a member of *Truthout*’s Public Intellectual Project. He has published scores of books, and his articles have appeared in a variety of journals, magazines, newspapers and popular news

websites. Many of his publications have been translated into several foreign languages, including Arabic, Croatian, Dutch, French, Greek, Italian, Portuguese, Russian, Spanish and Turkish. His latest books are [*Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change*](#), an anthology of interviews with Chomsky originally published at *Truthout* and collected by Haymarket Books; *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (with Noam Chomsky and Robert Pollin as primary authors); and *The Precipice: Neoliberalism, the Pandemic, and the Urgent Need for Radical Change*, an anthology of interviews with Chomsky originally published at *Truthout* and collected by Haymarket Books (scheduled for publication in June 2021).

Sustainable Peace Must End Israeli Apartheid. Anything Else Is Just A Ceasefire



Richard Falk

After four elections in less than two years, Benjamin Netanyahu's record 12-year rule comes officially to an end on Sunday.

The government to replace him consists of a coalition of eight parties from across Israel's political spectrum and will be led by the ultranationalist Naftali Bennett who will serve for the first two years.

Indeed, indicative of the direction of Israeli politics and society over the course of

the last 15 years or so, the end of the corrupt and much-maligned Netanyahu reign may be no reason for celebration, as it will be replaced not simply by a coalition government built around numerous structural contradictions, but by one that may potentially prove to be far more reactionary and dangerous.

The situation is grave for Palestinians, who only a few weeks ago experienced under Netanyahu's orders yet another massive assault on Gaza, which ended in the death of more than 200 people including dozens of children, and widespread damage to the enclave's infrastructure. The person to replace Netanyahu as prime minister is a religious extremist who has been a vocal advocate of Israeli settlements and a fervent opponent of a Palestinian state.

The dawn of the new era in Israeli politics starts with the latest cycle of violence against the Palestinians, which seems to have been directly related to the reality of domestic Israeli politics in general and the policy of ethnic cleansing in particular. This is the view of Richard Falk, one of the world's most insightful and cited scholars of international affairs over the course of the last half century, as made clear in the exclusive interview below for *Truthout*. Falk is professor emeritus of International Law at Princeton University, Chair of Global Law at Queen Mary University of London, former United Nations Human Rights Rapporteur on human rights in the Palestinian territories, and author of more than fifty books and thousands of essays in global politics and international law.

C.J. Polychroniou: Richard, the latest Israeli attack, which caused massive destruction in the Gaza Strip, ended with a ceasefire after growing U.S. and international pressure after 11 days. In your view, what factors or parties reignited the violence?

Richard Falk: This latest upsurge of violence in the relations between Israel and Palestine seems to arise from a combination of circumstances.... It is clear that Israel's usual claim of a right to defend itself is far from the whole story, especially when its behavior seemed designed to provoke Hamas to act in response. In light of this, we should investigate why Israel wanted to launch a major military operation against Gaza at this time when the situation seemed quiet.

The easiest answer to the question — to save Israeli Prime Minister Benjamin Netanyahu's skin. It seems that the precarious political position and legal

vulnerability of the Israeli leader, is the best back story, but far from a complete picture. It helps account for the seemingly reckless Israeli provocations that preceded the flurry of rockets from Hamas and affiliates. Netanyahu had failed three times to form a government and was facing an opposition coalition that was effectively poised to displace him as leader. If displaced as prime minister, Netanyahu would have to face substantial criminal charges for fraud, bribery and breach of public trust in Israeli courts, which could result in a jail sentence.

Why would a wily leader and ardent nationalist play roulette with the well-being of Israel? The answer seems to involve the character of the man rather than an astute policy calculation.... To the extent the Netanyahu approach was knowledge-based, it reflected the reasonable belief that Israelis put aside differences and give their total allegiance to the head of state during a wartime interlude. Netanyahu had every reason to believe that in this situation, as so often in the past, Israelis would rally around the flag, and be thankful for his leadership in a security crisis.

There is no doubt that Israeli behavior preceding the rockets was so inflammatory that we must assume it was intended to be highly provocative. First came high-profile evictions of six Palestinian families from their Sheikh Jarrah homes on flimsy legal grounds, with a prospect of more evictions to follow. These court rulings enraged the Palestinians. It reinforced their sense of continuing victimization taking the form of insecurity as to Palestinian residence rights in East Jerusalem, perceived as ethnic cleansing. This reawakened the memories of the 700,000 or more Palestinians who fled or were forced across the borders of what became Israel to Jordan, Lebanon, Gaza and the West Bank (until 1967 under Jordanian administration) in the 1948 War, becoming refugees, and never thereafter allowed to return to their homes or homeland, which was and is their right under international law.

This process of coercive demographic rebalancing was integral to the essential racial and idealistic character of the Zionist movement, which sought to establish not only a Jewish state but a democracy that could qualify for political legitimacy by Western criteria. To achieve this goal, however, depended on implementing policies ensuring and maintaining a secure Jewish-majority population, [policies] which were themselves denial of fundamental human rights. These controversial Sheikh Jarrah evictions were continuing this Judaizing of East Jerusalem after more than 70 years since Israel was founded. In other words, what Israeli Jews

treated as a demographic imperative that was almost synonymous with maintaining a Jewish state for the Palestinians had the character of a continuous process of ethnic cleansing, which meant second-class citizenship and living with perpetual insecurity.

Days before the rockets were launched, there was further provocation that took the form of unregulated marches by right-wing Jewish settlers through Palestinian neighborhoods in East Jerusalem carrying posters and shouting, "Death to the Arabs," coupled with random acts of violence against Palestinians and their property. Such events reinforced the impression that the Palestinians in Israel were acutely insecure and vulnerable to thuggish manifestations of settler racism and would not be protected by the Israeli state. This pattern exhibited the jagged edges of Israel's distinctive version of apartheid.

Likely, the most provocative of all these events ... were the several intrusions at al-Aqsa compound and mosque by Israeli security forces in a manner that obstructed Muslim worship during the last days of Ramadan. As well, Muslims were prevented from coming to al-Aqsa from the West Bank during this period. These encroachments on freedom of religion again seemed designed to provoke Palestinian reactions of resistance by harshly discriminatory practices of Israeli interpretations of "law and order."

Against this background, Palestinian protests mounted, and Hamas undoubtedly felt challenged to maintain its claim as the inspirational leader of Palestinian resistance. Because of the limited options available to Hamas, resistance took the characteristic form of firing hundreds of primitive rockets, many falling harmlessly or intercepted by Israel's Iron Dome defense system. The rockets were indiscriminate and inflicted some Israeli casualties, minor damage to towns in southern Israel. Such a tactic violates international humanitarian law, and is undoubtedly very frightening to the Israeli civilian population.

It should be appreciated that Israel's violations far outweighed the violations of the Palestinians in several crucial respects: the death and destruction caused by the two sides; the refusal of Israel to uphold its legal obligations as the occupying power toward the civilian occupied Palestinian people who were already long subjugated by an unlawful blockade (in place since 2007) responsible for unemployment levels over 50 percent and dependence on humanitarian aid by

over 80 percent of the Gazan population. Israel also ignored its specific duty outlined in Article 55 of the Fourth Geneva Convention to protect the civilian population during a time of “contagious disease or epidemic,” and instead subjected Palestinians to what has been described as “medical apartheid,” which was most evident on the West Bank where all Jewish settlers were vaccinated while almost no Palestinians received even a first dose.

The Arab world condemned the latest Israeli assault, but took no action. My question about this is twofold: First, to what extent did the Abraham Accords, which normalized relations between Israel and the United Arab Emirates, precipitate the renewal of violence? And, second, what's behind the cozy relationship between Israel and Arab countries, particularly Gulf states?

With respect to the Abraham Accords, I am not aware of any concrete indications of a link, although some circumstantial evidence suggests its plausibility. On the Israeli side, the Accords seem to have given Israel greater confidence that they could make life even more miserable for the Palestinian people without having to fear adverse repercussions from their Arab neighbors. Without Trump in the White House, the right wing in Israel seemed to believe that their expansionist goals, including annexationist hopes for most of the West Bank, would have to be achieved unilaterally without diplomatic cover from the United States, and that meant intensifying their already bellicose reputation.

On the Palestinian side, opposite forces seemed at play. A sense that Netanyahu and the settlers were exerting increasing pressure to make the Palestinians believe that their struggle was futile, a lost cause, with the goal of making them agree to whatever “peace arrangement” was put forward by Israel (what I call [“the Daniel Pipes” scenario](#), squeezing the Palestinians so hard that they give up). More assertively interpreted, the rockets expressed a resolve not to be ethnically cleansed from their homes nor silenced and intimidated by the settlers nor by those who would interfere with their religious practices. It may have also been intended as a warning to the Palestinian Authority not to accept some arrangement that validated this coercive Israeli approach to “peace.” These direct encounters originating in Jerusalem were dealt with harshly by the Israeli government, prompting Hamas to act in solidarity, which meant sending rockets, the only weapon in their arsenal capable of sending a message to Israel....

Also at play undoubtedly was the challenge posed by the Accords to Palestinian

steadfastness or *sumud* — a Palestinian show of resistance, even with the full awareness that the rockets would bring a massive Israel Defense Forces (IDF) military operation as in the past, and with it, death, displacement and destruction in Gaza. It was the Palestinian way of saying that our struggle goes on regardless of the costs, and even in the face of this symbolic abandonment by our Arab brothers and sisters, or at least their regimes, which in any event had long been more a matter of words than deeds. This abandonment had been previously expressed substantively by these Arab governments, especially the Gulf monarchies, which were never comfortable with Palestinian or Islamic movements from below in their region, especially in the aftermath of the Iranian Revolution when political Islam showed its willingness and ability to challenge the control of the established order (as confirmed by their counter-revolutionary support for the Sisi coup in 2013 against Muslim Brotherhood leadership in Egypt).

As far as the motivations behind Arab elite willingness to ignore the pro-Palestinian sentiments of their own populations and become parties to the Abraham Accords, three factors are explanatory: First, the governments involved were given transactional rewards by the Trump diplomatic offensive in the form of weapons, economic inducements, delisting as a terrorist government and support for political claims; secondly, applying especially to the Gulf monarchies, seeking a common front with Israel in opposing and destabilizing Iran, not only in relation to its nuclear program but with respect to its political solidarity relationships in the region, which included Hamas, Hezbollah and the Houthis in Yemen; and thirdly, by seeming to take political risks at home to support U.S. pro-Israeli objectives in the region so as to gain leverage in Washington as a dependable ally.

Israeli police have arrested thousands of people over the last couple of weeks in Israeli Arab communities as part of a “law and order” operation. What is Israel really hoping to achieve with such actions against Palestinian protesters who, incidentally, happen to be Israeli citizens?

Jewish supremacy is the core of the Zionist project as it has played out in Israel, which has in turn generated racial policies and practices that are increasingly perceived as a form of apartheid. The government must convince the “dominant race” that it can maintain the racial hierarchy. This means that any show of resistance by the subjugated race must be disproportionately punished, with the hope of deterring future defiance by the downtrodden.

In the past 20 years, Gaza and its people had borne the brunt of this Israeli need to exhibit its political resolve and ability to crush any challenge, however indirect, to the policies and practices of apartheid. This was the first time that communal violence in towns where Palestinians and Jews cohabited arose within Israel at a time coinciding with an IDF military operation in Gaza. It was a new *internal* threat to the apartheid regime, but posed a different kind of challenge as Israel didn't want to devastate towns within Israel, calling for an appropriate challenge. The mass arrests of Palestinian protesters were the method relied upon to reestablish the appearance of stable control of the asymmetric relations between Jews and Palestinians.

Palestinians have been facing a severe leadership crisis for many years now, but solidarity with the Palestinian people has shifted massively on a global scale. Are there hopeful prospects for Palestinian unity? And is the Boycott, Divestment, Sanctions (BDS) movement an effective way to challenge Israeli oppression without hurting the victims themselves?

As indicated earlier, deficiencies of Palestinian leadership have weakened the Palestinian movement for self-determination. In part, this reflects Israel's overall approach ... as it has pursued for many years "a politics of fragmentation," including at the leadership level. Such fragmentation includes its occupation administration on the West Bank with more than 700 checkpoints, making internal travel incredibly difficult for Palestinians, as well as administering the West Bank, Gaza and East Jerusalem in different ways that make Palestinian interaction difficult and unity hard to maintain. Of course, there's the toxic split between Hamas and the Palestinian Authority. As well, Israeli denial to Palestinians of any right of return has kept the refugee status of millions of Palestinians static, untenable and precarious. Refugee demands for return create tensions with Palestinians living under occupation, many of whom believe the formula "land for peace" is the best deal that they can hope for. Further, they realize that Israel might agree to end the occupation but it would never assent to upholding the repatriation rights of the refugees, which is seen as a deal-breaker. Only a strong leader with support from all of these constituencies could provide the Palestinian people with authentic leadership capable of representing both Palestinians living under occupation and in refugee camps. Israel remains determined at this point not to let this happen, and feels strong and secure enough to refuse meaningful Palestinian statehood as well as to deny refugee

rights.

The Palestinians have discredited themselves to some extent by not putting aside their differences so as to establish a common front to achieve their primary goal of self-determination. The top echelons of the Palestinian Authority live a comfortable life, rumors of corruption abound, and one senses a willingness to lie low until they can make some sort of deal that hides their political defeat. Mahmoud Abbas, the Palestinian leader who is internationally recognized as representing the Palestinian people, has not held promised elections since 2005, and recently canceled elections scheduled for this year on the alleged grounds that Palestinian residents in East Jerusalem would not be allowed to vote. Critics insist that elections were canceled because Hamas was seen as the sure winner.

Hamas, although mischaracterized in the U.S. and Israel, has governed harshly in Gaza, making many Palestinians fear its leadership. Yet as [Sandy Tolan](#) and other researchers have made clear, Hamas was induced by Washington to pursue its goals by political means and compete electorally, but it was not supposed to win as it did in Gaza in 2006. When it won, it made diplomatic overtures to Washington and Tel Aviv, offering a long-term ceasefire, up to 50 years, in exchange for Israeli withdrawal to the 1967 “green line” borders, but these were rebuffed, and Hamas was returned to its “terrorist” box, and the people of Gaza were blamed for their victory in the elections.

The Palestinians have never set forth their own [collective] vision of peace, probably because it would reveal sharp differences between those willing to settle for some version of partition and those who seek a unified Palestine with a secular constitution assuring equality of rights. As matters now stand, a sustainable peace presupposes the prior dismantling of apartheid structures and the renunciation of Zionist foundational claims of Jewish supremacy. Without such steps, any agreed outcome would end up as a “ceasefire.” It is instructive to study the fall of apartheid in South Africa, and its aftermath, that failed to fulfill all of the hopes of South Africans or result in economic and social retaliation that the whites feared. Both races benefited from the transition. A bloody armed struggle was averted and so was a vindictive sequel to apartheid.

The South African narrative is also important for illustrating its “impossible” unfolding: internal resistance, strongly reinforced by a global civil society anti-apartheid campaign supported by the UN and highlighted by BDS pressures,

releasing Nelson Mandela from 27 years confinement in prison despite his life sentence so that he could negotiate the transition to constitutional multi-racial democracy and become the natural choice of the population to be the first president of the new South Africa. It all sounds plausible 25 years after the fact, but before these dramatic events, it seemed “impossible,” a dream too good to come true....

A final observation. The South African apartheid leadership did not awake one morning and become aware that their regime was immoral and illegal. It decided through backroom debate and reflection that it was better off taking the risks of constitutional democracy than go on living as a pariah state waiting for the day when the roof would collapse. In other words, the white leadership made a rational public policy decision, the contemplation of which was kept as a closely guarded state secret until a consensus reached, and the extraordinary events started happening to the great surprise of the world.

One final question. What are your thoughts on Israel's new government? What can one expect from it in general, and will it be able to skirt the Palestinian issue?

The coalition that has managed to prevail, and for the moment, the political impasse in Israel by taking over the Israeli government is not united on policy or belief. Its only unifying principle is a deep hostility to Netanyahu's personality and character. For that reason, the diversity of its composition makes it fragile with respect to sharp departures from Likud consensus on Palestine that has prevailed for the last twelve years in Israel.

At the same time, the dominant elements in the Bennett-Lapid coalition are correctly perceived on Palestinian issues as further to the right on such issues as accelerated ethnic cleansing of East Jerusalem, expansion of West Bank settlements, annexation of all or most of the West Bank, opposition to any genuine form of Palestinian statehood, and greater severity with respect to the implementation of apartheid policies and practices. Further, it is expected that Naftali Bennett, an exponent of the extreme right-wing settler movement and maximal Zionist goals, will be Israel's prime minister for the next two years during which he will undoubtedly be tempted to push Israeli policy even further to the right.

It is, of course, possible that Bennett will contain his anti-Palestinian fury so as to

hold the coalition together, but it is just as likely that he will be prepared to pay the price of a collapsed coalition by being able to attract support for his program from the Likud members and other rightists outside the coalition who agree with his approach on Palestine and are no longer tied to Netanyahu or preoccupied with having a place in the leadership of the government. It is also possible that Bennett will move more cautiously to avoid weakening American support, which is already weaker than it has been in this century. Bennett is less abrasive in personal style than Netanyahu, which is hardly a notable achievement, but is more of an extreme ideologue and less of an opportunist.

Given this further turn to the right in Israel there is no realistic prospect of any kind of meaningful diplomacy for the foreseeable future. There are, in contrast, real possibilities of stronger global solidarity efforts through the UN and by way of civil society campaign such as BDS, and a stronger public support for Palestinian grievances.

This interview has been lightly edited for clarity and length.

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C.J. Polychroniou is a political economist/political scientist who has taught and worked in numerous universities and research centers in Europe and the United States. Currently, his main research interests are in European economic integration, globalization, climate change, the political economy of the United States, and the deconstruction of neoliberalism's politico-economic project. He is a regular contributor to *Truthout* as well as a member of *Truthout's* Public Intellectual Project. He has published scores of books, and his articles have appeared in a variety of journals, magazines, newspapers and popular news websites. Many of his publications have been translated into several foreign languages, including Arabic, Croatian, Dutch, French, Greek, Italian, Portuguese, Russian, Spanish and Turkish. His latest books are [*Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change*](#), an anthology of interviews with Chomsky originally published at *Truthout* and collected by Haymarket Books; *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (with Noam Chomsky and Robert Pollin as primary authors); and *The Precipice: Neoliberalism, the Pandemic, and the Urgent Need for Radical Change*,

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Interview With Peter Arno - Economics, Public Health, Aids And Covid-19



This is part of [PERI's economist interview series](#), hosted by C.J. Polychroniou.

C.J. Polychroniou: Why did you choose to become an economist, and focus on health policy?

Peter Arno: When I was in college in the 1970s I majored in economics because I felt it provided a useful perspective on how to view the world. I had always been interested in health issues and at that time I joined what was then called the Marxist Health Discussion Group, later renamed the East Coast Health Discussion Group. This group included a number of brilliant and inspirational thought leaders such as Vincente Navarro, Evan Stark, and David Kotelchuck, among others. Our irregular meetings over the course of a few years fueled my interest in health policy issues from a progressive, political economy perspective. I developed this perspective further while earning a doctorate in economics at the New School for Social Research, encouraged by my advisor David Gordon.

CJP: You have done an immense amount of research around the AIDS epidemic, which has resulted in hundreds of academic articles and a Pulitzer Prize-nominated book titled *Against the Odds: The Story of Aids Drug Development, Politics @ Profit*. How did you come to focus on this important issue?

PA: Upon completion of my doctorate, I received a postdoctoral fellowship at the Institute for Health Policy Studies at the University of California, San Francisco. At the time (1984-86), the AIDS epidemic was exploding in San Francisco, and I had the opportunity to study its economic impact with Dr. Phil Lee, the director of the Institute. I continued my AIDS-related focus when I returned to New York and found that the shortcomings in the local, state, and federal responses to the epidemic reflected many of the shortcomings in American healthcare. In particular, the AIDS crisis illustrated an Achilles heel of American healthcare—if you become ill and lose your job, you frequently lose your health insurance. Thus, at the point when you need it most, you lose access to health care.

I can trace the genesis of my book project directly to an academic paper on the economic impact of early HIV intervention in JAMA. In it, I wrote what seemed to me an innocuous sentence to the effect that the price of AZT (the first drug approved for AIDS treatment) did not reflect the production or development costs of the drug. This led to a letter from Burroughs Wellcome (the drug's manufacturer) threatening legal action if I did not provide them with all the documentation on the production and development costs of the drug. With the help of my oldest friend, a partner at a major law firm in New York, and California Congressman Henry Waxman, I pointed out to the company that they were in a better position to provide the public with their own production and development costs. Additionally, I said that if they had a problem with my JAMA article, they should write a letter to the editor. The company backed off, but it was this alarming incident that led me to decide to write a book examining the historical development of AZT and the role of activists in the struggle to speed up the federal response to the AIDS epidemic.

CJP: In that book, you showed that the fight against AIDS encountered all sort of obstacles, including uncoordinated government policy and an ill-equipped health care system to respond to a national emergency. Firstly, where do things stand today with regard to AIDS? Secondly, why does the role of the U.S. government continue to be limited in health care in comparison to many other advanced countries?

PA: The treatment of HIV disease has progressed in quantum leaps over the past 40 years. It is now generally considered a chronic illness that can be held in check with appropriate medications. There are also effective preventive medications known as PrEP Therapy. However, tens of thousands of Americans are still

infected each year and, like health care in general, the disease burden falls disproportionately on people of color and the poor. Moreover, the stigma and the high price of HIV drugs, particularly the PrEP therapy sold as Truvada (approximately \$2,000 per month), discourage more widespread use.

Public funding for health care in the US is larger than most people think, comprising nearly 60 percent of all health care consumed. The main difference between the US and other developed countries is that our health care system is designed to extract private profits with few constraints on the pricing of health care services or products, rather than considering health care to be a public good.

CJP: Are there lessons you have learned in the fight against AIDS for what to do and what not to do in our current fight against Covid-19?

PA: The paramount struggle in the early days of the AIDS epidemic parallels what we have faced with the Covid-19 pandemic: the lack of a coordinated federal response. Our nation has failed this lesson twice, with devastating consequences. Hopefully, we can ensure it will not do so again.

CJP: The coronavirus pandemic has brought to surface once again the shortcomings of the U.S. health care system. In that context, you advocate Medicare For All as the only choice. Can you please outline the symptoms of the dysfunctional U.S. health care system, and briefly explain what an ideal universal health plan would look like?

PA: A single payer Medicare for All program is not the only choice, but it is the best choice. Our current system, the most expensive in the world, is riddled with administrative waste, high prices and, perhaps worst of all, denies access to care to tens of millions of Americans. Under a single payer framework the relentless increase in health expenditures can be brought under control and health care made available to all Americans.

CJP: In a study you co-authored with Jeanette Wicks-Lim, it is argued that certain anti-poverty measures, such as the Earned Income Tax Credit (EITC), can have a direct impact on health outcomes not simply on an individual level but across a geographic unit such as the neighborhood. How so, and, given that this study analyzed data only from New York City, would it be safe to conclude that anti-poverty policies such as the EITC can have more generalized effects on public health?

*PA:*The findings from our study—that increased income derived from the EITC improves certain health outcomes—has been underscored by dozens of other studies at the state and federal levels. Thus, it is highly likely that enhanced anti-poverty policies including the EITC have a positive impact on health outcomes.

Our ecological argument that a broad-based policy such as the EITC affects not only individuals but also the communities within which they live is based on the spillover effect of millions of dollars generated and then spent within these communities. As we stated, these spillover or multiplier effects occur “when EITC recipients spend their EITC dollars at neighborhood businesses. These EITC dollars then go into the paychecks of those businesses’ workers who, in turn, spend their earnings at other businesses (and thus, their dollars go into the paychecks of those businesses’ workers and so on), generating new rounds of increased spending. Thus, through the multiplier effect, EITC benefits can measurably improve the overall economic environment in low-income neighborhoods, not just the lives of EITC recipients.”

CJP: Are you optimistic about the prospects of the United States of America adopting eventually a system of universal health care? Do you think that our experiences with Covid-19 has affected the chances for the adoption of universal health care in the U.S.?

PA: I do believe that we will eventually join the rest of the developed world by adopting a universal health care system in the US. The timing however is unclear. Over the past few years there has been growing public support for transformational change of our health care delivery system. However, given the current political environment, this is more likely to happen first at the state level—e.g. New York or California. If one of these two big states were to implement a universal single payer plan, it would likely lead to a cascade of state efforts that should ultimately result in a national program. This is a process similar to what Canada went through to achieve its national universal health care system.

As millions of us get vaccinated against SARS-CoV-2, we will obtain a first-hand glimpse of what a single-payer, Medicare-for-All approach to health care might look like. This is because many of the features of a single-payer system are present in the vaccination program.

First, the vaccine's development and the process of vaccination have characteristics that set it apart from the normal business of health care, which is based on costs and profits, consumer choice, and administration.

On the cost/profit side, vaccines have historically been the least profitable products for pharmaceutical companies. The development of this vaccine has been largely subsidized by the federal government. Several of the participating pharmaceutical companies have announced that they will not make profits from the vaccine during the pandemic. There are many benefits due to this single-payer feature including that none of us will have to pay at the point of care for the vaccine itself. Additionally, haggling with insurance companies should be greatly diminished.

When it comes to consumer choice, often heralded by defenders of our current health care structure, the only choice will be whether or not to get vaccinated and where to do so. And not can we afford to pay for it.

The driving force to vaccinate the American people en masse parallels that of Medicare for All: to provide universal, affordable healthcare to everyone. The primary goal of both the vaccination program and Medicare for All is the public good, not the extraction of private profit. One of the most significant outcomes of the pandemic may be increased political momentum for Medicare for All.

✘ [Peter S. Arno](#) is a health economist, and a Distinguished Fellow at the City University of New York Institute for Health Equity. He is a member of the National Academy of Social Insurance and serves on the Board of Directors of the National Committee to Preserve Social Security & Medicare Foundation. He was the founding director of the Center for Long Term Care Research & Policy and the doctoral program in health policy at New York Medical College and director of the Division of Public Health and Policy Research in the Department of Epidemiology and Population Health at Albert Einstein College of Medicine and Montefiore Medical Center. He received his doctorate in economics at the New School for Social Research. His 1992 book, *Against the Odds: The Story of AIDS Drug Development, Politics & Profits*, was nominated for a Pulitzer Prize.

Dr. Arno's recent work includes studies on the impact of Social Security and the Earned Income Tax Credit on population health, food insecurity and the elderly; economics of caregiving; social and geographic determinants of obesity; and

regulation and pricing practices of the pharmaceutical industry.

Labor Unions Rally Behind California's Zero-Emissions Climate Plan



Robert Pollin

Robert Pollin, distinguished professor of economics and co-director of the Political Economy Research Institute (PERI) at the University of Massachusetts at Amherst, has been spearheading national and international efforts to tackle the climate crisis for more than a decade. Over the past few years, he and a group of his colleagues at PERI have produced green economy transition programs for numerous states. The latest such program is for California, and it is being released today.

The massive study — nearly 200 pages long — shows how California can become a zero emissions economy by 2045 while expanding good job opportunities throughout the state. Nineteen unions have already endorsed the green transition plan, making clear that they reject frameworks that falsely pit labor priorities and the environment against each other, and more are expected to do so in the days

and weeks ahead.

In this interview for *Truthout*, Pollin, co-author with Noam Chomsky of *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (Verso 2020), talks about the climate stabilization project for California and the national implications of union support for a green economy transition.

C.J. Polychroniou: California has been at the forefront of the climate fight for years now, but the truth of the matter is that its efforts have fallen short. Now, you and some colleagues of yours at PERI have just completed a commissioned climate stabilization project for California. How does the project envision the clean energy transition to take place in a manner consistent with the emission targets set out by the UN Intergovernmental Panel on Climate Change (IPCC) in 2018, and how will it be financed?

Robert Pollin: This study presents a recovery program for California that will also build a durable foundation for an economically robust and ecologically sustainable longer-term growth trajectory. California has long been a national and global leader in implementing robust climate stabilization policies. This includes the 2018 Executive Order B-55-18 by then Gov. Jerry Brown. This measure committed the state to cut CO₂ emissions by 50 percent as of 2030, to become carbon neutral no later than 2045, and to produce net negative emissions thereafter. These goals are somewhat more ambitious than those set out by the IPCC in 2018. Our study outlines a program through which the state can achieve its own established goals.

Our study shows how these 2030 and 2045 emissions reduction targets can be accomplished in California through phasing out the consumption of oil, coal and natural gas to generate energy in the state, since burning fossil fuels to produce energy is, by far, the primary source of CO₂ emissions, and thereby, the single greatest factor causing climate change. The project we propose is to build a clean energy infrastructure to replace the existing fossil fuel-dominant infrastructure. The clean energy infrastructure will require large-scale investments to, first, dramatically raise energy efficiency standards in the state and, second, to equally dramatically expand the supply of clean renewable energy supplies, including solar and wind primarily, with supplemental supplies from low-emissions bioenergy, geothermal and small-scale hydro power. We show how this climate stabilization program for California can also serve as a major new engine of job

creation and economic well-being throughout the state, both in the short- and longer run.

We have scaled the clean energy investment project at about \$76 billion per year on average between 2021 - 2030. This would equal roughly 2 percent of what we estimate will be the state's average GDP between 2021 - 2030. In other words, California can hit its emissions reduction targets through maintaining clean energy investment spending levels at about 2 percent of overall economic activity in the state. That means that roughly 98 percent of the state's annual economic activity can still be focused on anything other than clean energy investments. But the state must maintain this 2 percent of GDP investment level in clean energy for the program to work.

We estimate this level of investment will generate roughly 420,000 jobs throughout the state's economy. New job opportunities will open for, among other occupations, carpenters, machinists, welders, electronic equipment assemblers, environmental scientists, administrative assistants, accountants, truck drivers, roofers and agricultural laborers. Investments in public transportation — a major component of the energy efficiency investment program — will produce public-sector jobs for drivers and managerial staff. The quality of these jobs — including wages, benefits and levels of unionization — vary by sector. In general, it will be critical to raise job quality standards as the number of jobs available expands. Raising unionization rates, as well as expanding job training programs will all be crucial for raising overall job quality levels. Local hire provisions and related measures will also need to be implemented to ensure equitable access by race and gender to the expanding job opportunities.

While focusing on the clean energy investment to reduce California's CO₂ emissions by 50 percent as of 2030, our study does also examine how the state can achieve its longer-term goal of becoming a zero-emissions economy by 2045. The basic features of the investment program between 2031 - 2045 can be extended from the 2021 - 2030 framework. But, in fact, the scale of the investment spending required to achieve the 2045 zero-emissions target can be somewhat more modest, averaging about 1.3 percent of the state's GDP between 2031 - 2045.

Our study also examines a complementary investment project to upgrade

California's economy base through manufacturing, infrastructure, land restoration and agriculture investments. We budgeted this program at about \$62 billion per year, or 1.7 percent of the state's GDP — in these areas. This investment program is based on the proposed national THRIVE Agenda, a bill introduced into the U.S. Congress in February 2021 by Sen. Edward Markey (D-Massachusetts) and Congresswoman Debbie Dingell (D-Michigan) to "Transform, Heal, and Renew by Investing in a Vibrant Economy." To date, the THRIVE Agenda has been endorsed by more than 100 members of Congress and hundreds of major union, racial justice and climate organizations. We estimate that these investments will generate about 626,000 jobs throughout the state, in a wide range of occupations.

When we bring together the combined investment programs in the areas of energy efficiency and renewable energy, along with public infrastructure/manufacturing and land restoration/agriculture, total spending in California comes to an average of about \$140 billion per year, equal to a bit less than 4 percent of California's average annual GDP between 2021 - 2030. This level of job creation would generate about 1 million jobs within California. This higher level of job creation will then be sustained through the full decade, as long as the budgetary levels for the range of investment programs are maintained. The expansion in job opportunities will equal more than 5 percent of California's 2019 labor force. This means that, if California's unemployment rate was, say, 7 percent without this combined investment program, these investments could drive unemployment to something in the range of 2 percent — i.e. to reach something close to full employment in the state.

An absolute front-and-center feature of our proposal is the just transition program for the state's fossil fuel-dependent workers and communities. About 112,000 people are employed in California in fossil fuel-based industries, amounting to about 0.6 percent the state's total workforce in 2019. Workers in the state's fossil fuel-based industries will, of course, experience job losses as the state dramatically reduces consumption of these CO2-generating energy sources. We estimate that about 3,200 workers per year will be displaced in these industries in California between 2021 - 2030 while another roughly 2,500 will voluntarily retire each year. It is critical that all of these workers receive pension guarantees, health care coverage, re-employment guarantees along with wage subsidies to insure they will not experience income losses, along with retraining and

relocation support, as needed. Enacting a generous just transition program for the displaced fossil fuel-based industry workers is especially important. We estimate that the costs of a generous just transition package for all fossil fuel industry-based workers experiencing layoffs would come to about \$470 million per year. This is equal to about 0.02 percent (two one-hundredths of one percent) of the state's average GDP between 2021 - 2030.

Three counties in California — Kern, Contra Costa and Los Angeles — account for roughly half of all employment in the state's fossil fuel-based industries. Kern County, in particular, will face the most significant proportional impacts from the phase-down of the state's fossil fuel industries. We therefore present a focused discussion on providing community transition support for Kern County. In fact, we found that some initial-stage activities are already underway in Kern to move the area away from its current level of fossil fuel-based industry dependency and to build there a clean energy production infrastructure.

How do you pay for the whole thing? It's actually straightforward, especially as we keep in mind that, overall, we are talking about devoting less than 4 percent of the state's overall economic activity to these investment projects, and the most critical purpose of these projects is, after all, is just to achieve the state's own CO2 emissions reduction targets. Of the roughly \$140 billion per year in combined investments and the just transition program, we assume that roughly half of total spending, about \$70 billion per year, will be provided by private investors, while the other half is supplied by public spending. Private investments in the clean energy areas in particular will be incentivized by the federal and statewide regulatory environment. A significant share, if not the majority of the approximately \$70 billion per year in public spending is likely to come from a version of the Biden administration's proposed American Jobs Plan, which is focused on infrastructure and clean energy investments. The State of California could then provide the additional funding, as needed. The fact that the state can borrow at very low interest rates now is critical. As an example, we show that if the state government issues \$30 billion in bonds in the current low-interest rate environment, the debt servicing burden will also be low, i.e. in the range of 0.3 percent of the state's annual general revenues. It follows that even if the federal government's funding through the final version of the Biden American Jobs Plan comes in at a relatively low figure, the State of California could still provide the additional financing through issuing bonds in the current low-interest rate

environment without imposing a major burden on the state's overall budget.

The project has already been endorsed by 19 unions across the State of California, and more are expected to join. This is undoubtedly a highly significant development, but, given that only around 16 percent of the total workforce is unionized, isn't there a need to reach out to the rest of the population for support?

For decades now, wide majorities of people in California have been supporting strong measures to protect the environment and combat climate change. Increasingly also, the state is suffering disproportionately from the effects of climate change and, more generally, from burning fossil fuels to produce energy, including wildfires, droughts, floods, heat waves, and air pollution that are all becoming more severe over time. The National Oceanic and Atmospheric Administration [estimates](#) that, just since 2012, California has experienced roughly 16 "billion-dollar disaster events," generating economic losses of over \$100 billion in total. Beyond these climate-specific considerations, it is also the case that the clean energy investment program will deliver lower energy costs to all consumers in California. This is, first, because raising energy efficiency standards will enable consumers to spend less money for a given amount of energy services — e.g. to heat, cool and light homes, or to drive from Riverside to L.A. In addition, the costs of wind, solar and geothermal power are all roughly equal to or lower than those for fossil fuels and nuclear energy, and are falling significantly. As such, the average California household should be able to save nearly 40 percent on their overall annual energy bill relative to what they spend now in the current fossil-fuel dominant system. In short, everyone in the state has a personal stake in solving the climate crisis, even those who aren't particularly concerned with the most fundamental matter of saving the planet.

Can you also speak about the national implications set by the union support in California for the climate stabilization project you and your colleagues have designed?

The union movement has increasingly embraced a major leadership role in advancing green transition programs. I have worked with the leadership of the AFL-CIO on these issues in multiple states. The level at which California unions have supported our study is one major step forward, and I am, of course, extremely pleased by this support. But it is also part of a growing trend that has

been advancing due to the work of outstanding, committed organizers throughout the country. When I first started working on these issues 14 years ago, the prevailing view in mainstream circles — not the labor movement, but in the circles of high-powered policymakers, academia and the mainstream press — was that there is a huge and unavoidable tradeoff between jobs and the environment. You could have one or the other — more jobs or a cleaner environment. But you can't have both, so choose one. Over the last decade, lots of very effective labor movement activists — from the grassroots levels to many top officials — have pounded home the reality that this is a false trade-off. Due to their efforts, this message has now penetrated all the way up to the Biden administration. Note that Biden is calling his clean energy program an “American Jobs Plan.”

This is really highly encouraging news in the battle to tame global warming, so I must ask: What's next in line in terms of your climate stabilization projects?

My co-workers and I at PERI are continuing to work with different groups to advance robust climate programs at the national, state as well as county and community levels. Separately, I am working on green transition studies for other countries, Greece being one of them. In the case of Greece, I am looking forward to working more on the issue of land-use requirements in building a green energy infrastructure, building from the outstanding work on this question by the Harvard physicist Mara Prentiss. The issues here is: Do we really have to locate wind turbines on top of the most beautiful pristine mountain cites in Greece in order to build a green economy? This is another one of the false trade-offs that lots of people in power want us to believe. I am also working on issues of financing the global Green New Deal in developing and middle-income countries, especially in Asia, in conjunction with the United Nations Conference on Trade and Development (UNCTAD). That, in addition to trying to maintain the solar panels at my house and office reasonably well.

Source:

<https://truthout.org/articles/labor-unions-rally-behind-californias-zero-emissions-climate-plan/>

C.J. Polychroniou is a political economist/political scientist who has taught and worked in numerous universities and research centers in Europe and the United States. Currently, his main research interests are in European economic integration, globalization, climate change, the political economy of the United States, and the deconstruction of neoliberalism's politico-economic project. He is

a regular contributor to *Truthout* as well as a member of *Truthout*'s Public Intellectual Project. He has published scores of books, and his articles have appeared in a variety of journals, magazines, newspapers and popular news websites. Many of his publications have been translated into several foreign languages, including Arabic, Croatian, Dutch, French, Greek, Italian, Portuguese, Russian, Spanish and Turkish. His latest books are [*Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change*](#), an anthology of interviews with Chomsky originally published at *Truthout* and collected by Haymarket Books; *Climate Crisis and the Global Green New Deal: The Political Economy of Saving the Planet* (with Noam Chomsky and Robert Pollin as primary authors); and *The Precipice: Neoliberalism, the Pandemic, and the Urgent Need for Radical Change*, an anthology of interviews with Chomsky originally published at *Truthout* and collected by Haymarket Books (scheduled for publication in June 2021)

Public Banking Can Improve The Lives Of US Workers While Helping Save The Planet



Gerald Epstein is Professor of Economics and a founding Co-Director of the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst.

The movement to create public banks is gaining ground in many parts of the U.S., particularly as part of an effort among activists and progressive lawmakers to extend banking access to low-income communities and communities of color in the post-COVID-19 economy. But how does public banking help protect the local community and assist with development? If public banks become part of the Federal Reserve — as a bill introduced by Representatives Rashida Tlaib and Alexandria Ocasio-Cortez aims to do — what would be the consequences? Leading progressive economist Gerald Epstein, professor of economics and co-director of the Political Economy Research Institute at the University of Massachusetts at Amherst, has studied the issue of public banking extensively and sheds ample light on these questions in this exclusive interview for *Truthout*.

- This interview was based on joint work with *Esra Nur Ugurlu*.

C.J. Polychroniou: After a series of ups and downs, the movement for public banking is gaining traction in states in the U.S. Why do we need public banks, and why are they a better alternative than private banks?

Gerald Epstein: First off, when I discuss a public bank or a public banking and finance institution, I generally mean a financial institution that has public support, has a social or public goal, and is not driven mainly by a profit motive.

Why do we need public banking institutions? Plenty of reasons. Private banks charge excessive fees for simple banking services. Asset management companies and financial advisers have major conflicts of interest. Banks engage in highly risky activities, expecting bailouts when they get into financial trouble. Private equity firms strip businesses and households of their assets by loading them up with debts, leaving them without the wherewithal to pay decent wages or compete with other companies.

The public provision of financial services is important not only because it can do what the current financial system does not do, but it can do better at many of the things that private finance purports to do. A public banking and financial institution could help restructure the financial system to better serve public needs, especially the short-term and long-term needs of the poor, the working class and the planet.

Here are some important functions that a public banking and financial institution could play in our economy:

1. *Competition and regulation*: Public options compete with existing financial institutions, thereby providing people with alternatives to private finance and possibly improving the products and services that private finance offers. The public option also provides a means of regulating private financial institutions through competition.

2. *Public goods*: Public goods, such as a highly educated population, efficient infrastructure, and long-term technological innovation with broad positive spillovers, can be supported by public finance institutions.

3. *Collective goods and complementarities*: Collective goods are those that require concerted and collective action to come to fruition and generate productive outcomes. For example, as Mehrsa Baradaran argues in developing her proposal for "[A Homestead Act for the 21st Century](#)," providing affordable housing is not sustainable in and of itself because there are a number of complementary goods that must be available at the same time, such as jobs, financial institutions and grocery stores. Here, community development is a good that must involve collective planning and simultaneous financing in a number of different areas for any of the pieces to succeed. A public banking and financial institution can be a useful mechanism to coordinate and help finance these activities.

4. *Financial inclusion — fighting poverty, exploitation and racial discrimination*: Financial exclusion, exploitation and racial injustice are deeply ingrained social ills in the United States. Public banking and finance institutions can help finance affordable housing, cooperatives, small businesses, education initiatives and financial services, all in communities of color and for institutions owned or controlled by members of the community.

5. *Financial resilience and stability*: Public banking and finance institutions, by contributing to a diverse financial ecosystem, help to make the financial system more resilient and robust. For example, unlike for-profit banks, publicly oriented financial institutions tend to perform countercyclically, helping to stabilize the economy rather than exacerbating crises.

6. *Economic transformation*: For large-scale transformative issues, the social provision of finance must play a major role. These include projects that have long-term gestation periods, massive uncertainty, large economies of scale, and the need for complementary investments and planning. One example is the pressing need to make the transition to renewable and non-carbon-producing fuels, such as the Green New Deal. This requires investment in new technologies and infrastructure implementation. In such a multifaceted transformative endeavor,

public provision of finance is crucial as a facilitating mechanism and a planning tool.

7. *Promote full employment and good jobs*: Credit allocation is key for job creation, including areas of structural unemployment, as well as patient capital for long-term gestation projects and infrastructure investments. Here, the quality of employment is as critical as the quantity (“high road” employment).

8. *Instrument of public policy*: In an economic transformation like the Green New Deal, public provision of credit is a powerful instrument of government policy. Countries that have made successful, rapid and transformative economic changes, including the United States, South Korea, Taiwan, China, and Western European countries, such as France, Germany and Italy in the first few decades after World War II, all used public provision of finance as a carrot or stick to elicit desired corporate behavior and allocate credit to priority sectors.

9. *Reducing the power of financial elites and countering capital strike*: Among the most important effects of a public banking and financial institution — and a key reason that capitalists often oppose it — is that having a public option reduces the market power of private capital and the political power of finance. As private banks and other financial activities in the United States have become bigger and more concentrated, social provision of finance will confront these oligopolies with more competition. Politically, public options reduce the power of the threat of a capital strike and of being “too big to fail.” With a large public banking and financial institution footprint, we can say to Wall Street, “Go ahead and fail. Our public financial institutions will provide the needed services without you.” Moreover, public banking and financial institutions provide a counterweight if private finance threatens capital flight in response to progressive policies they don’t like.

Can public banking and finance institutions thrive and survive in a capitalist economy?

Capitalist economies, especially those dominated by neoliberalism, would seem to be a uniquely inhospitable place for public banking and finance. Yet, as Thomas Marois has documented, there has been a dramatic increase in public banking and financial institutions’ prevalence around the world in recent decades. According to him, over 900 public banks currently exist. Altogether, they control more than 20 percent of all bank assets, public and private. While it is true that public control of banking assets has probably fallen from its 1970s height of

around 40 percent, today's economies are much bigger, and the total mass of public bank capital has grown substantially. The [latest estimate by Marois](#) shows that public banks have combined financial assets totaling near \$49 trillion, which equals more than half of global GDP.

How can public banking and financial institutions continue to thrive in the apparently hyper-capitalist environment of most countries? Two factors are pivotal. The first one has to do with the recent decades of financial crises, which have led to the growth of these public institutions to rescue finance, if not the economy as a whole. The second may be a bit more surprising: in some ways, these institutions are actually more efficient and safer than private financial institutions.

Despite mainstream economics' claim to the contrary, there are some competitive advantages of these public institutions that allow them a fighting chance, even in the capitalist marketplace.

They are the following:

1. Public banking and finance institutions tend to emphasize "*relationship banking*" so that bankers and customers get to know each other well; this increases knowledge of credit risks and enhances trust, thereby reducing manipulative or fraudulent behavior on both sides.
2. *Public mandates and lack of shareholder control* typically lead public banking and finance institutions to adopt less risky behavior than their private counterparts. This can result in less instability.
3. *Access to capital at lower cost*: Many public banking and finance institutions have lower costs for capital because they are perceived as being safer than private banks that engage in high-risk activities. They tend to build capital through profit retention, since they are not under pressure to distribute dividends to shareholders, and they do not face the same shareholder demands for rapid expansion.
4. *Public mandates lead to banks passing on advantages to customers*: Public banking and finance institutions pass on lower expenses to customers rather than needing to pay extraordinarily high executive salaries and large amounts of dividends. This attracts more borrowers and more depositors and lenders.
5. *Economies of scale* : Even though relationship banking and tight monitoring of credit risks can be very costly, public banking and finance institutions can achieve economies of scale by joining networks that provide services like underwriting,

technical assistance, and help identifying lenders and good borrowers. Such networks can at least partially erode some of the advantageous economies of scale that large private firms have.

Still, this kind of banking seems stunted in the U.S. relative to some other places in the world, but I would argue that this is because private banking gets massive subsidies from the U.S. government (including the Federal Reserve) that mostly are not available to public banking and finance institutions. It will take political mobilization to change this, and, thankfully, that mobilization is beginning to happen.

What kind of grassroot initiatives are currently going on in the fight for public banking?

Public banking initiatives in the U.S. have gained unprecedented momentum in recent years. The origins of the resurgence of interest in public banking go back to the Occupy Movement, which emerged in 2011 as a response to the economic and social injustices heightened by the global financial crisis. The infrastructure crisis, the exclusion of millions of Americans from basic banking services and private banking's longstanding history of financing environmentally harmful projects have further fueled interest in public banking across the U.S.

As a response to these problems, public banking advocates have started state and local initiatives to establish public banking institutions in a number of localities. Alongside these initiatives, networks of organizations and advocacy groups have been created. [The Public Banking Institute](#), the [California Public Banking Alliance](#) and the [National Public Banking Alliance](#) are among the major think tanks and organizations advocating for public banking. These organizations have forged connections with a panoply of nongovernmental organizations and grassroots movements to help develop existing coalitions and mobilize support.

Advocates working toward establishing public banks follow two common approaches. The first approach is to establish public banks at the city, county or regional level. In most cases, the state governments need to pass legislation to authorize the creation of local-level public banks. The second approach involves establishing a state public bank, like the Bank of North Dakota, which would act as the public depository for state funds and partner with local lenders.

There are attempts in different states to establish public banks following both of

these approaches. These efforts are spread throughout the country. Here is a brief rundown.

New York State and Pennsylvania host initiatives to establish public banks at local and state levels. Both states are working toward passing a bill that would provide the legal background for local governments to establish their own public banks. In Pennsylvania, this legislation will be used to establish a city public bank in Philadelphia. Besides, both states are pursuing legislation to establish state-level public banks. The advocates in Pennsylvania are working closely with the Public Banking Institute to establish a public bank following the Bank of North Dakota model. These efforts are supported by numerous grassroots groups in both states.

Washington State is another important hub for public banking advocacy. Over the past several years, advocates have been pushing to establish a state-level public bank that would function as a public depository for state money and would be authorized to manage and invest state funds in infrastructure development programs. Although these efforts have been facing fierce ideological opposition, particularly from the state treasurer, the organizers who participated in our survey expressed their commitment to continue pushing for public banking in the coming years. Besides these three states, there are efforts to establish state-level public banks in nine other states: Colorado, California, Hawaii, Maryland, Massachusetts, New Jersey, New Mexico, Oregon and Virginia.

The most significant victory for the public banking movement took place in California in 2019 as the legislation enabling the creation of local public banks, AB 857, passed. This is the first municipal banking legislation in the country authorizing the state to charter 10 municipal banks over seven years. There are also ongoing efforts to convert California's Infrastructure and Development Bank (the IBank), currently an infrastructure loan fund, into a state-level public bank.

The lack of alternatives to Wall Street banks gave rise to the [Public Bank LA](#) initiative, which began a campaign to establish a municipal bank that would be owned by the city of Los Angeles and would manage city funds in the public interest.

One of the first major accomplishments of Public Bank LA was to facilitate a city referendum to form a public bank. Although the referendum fell short at 44.15 percent support, this momentum was translated into the formation of the

California Public Banking Alliance, which is a coalition of 10 public banking grassroots groups across the state.

Besides local public banking, advocates in California have been campaigning for a state-level public bank. These efforts started in 2019 with the introduction of a bill, SB 528, by Democratic Sen. Ben Hueso. This bill aimed to transform the IBank into a depository institution that could take deposits from cities and counties, manage them and provide loan guarantees and conduit bonds to California projects. After the failure of this bill, a new task force started working on converting the IBank into a state-level public bank. In July 2020, a new bill, AB 310, was introduced for this purpose. AB 310 has two main components/targets: (1) expanding the IBank's lending capacity; and (2) converting the IBank into a state public bank. The expansion in the lending capacity was introduced to support local governments and small businesses, targeting especially those owned by disadvantaged groups.

Overall, California can be considered as a center of public banking advocacy work in the U.S. There is a large and growing public support for public banking, and the advocates have been successful in building coalitions, forming organizations and introducing legislation. By following these developments and building dialogue, advocates in other parts of the country can take important lessons from the victories and challenges faced by public banking organizers from California.

Still, without broader federal support, such as what the government gives private banks, these public banks will always be at ... somewhat of a disadvantage. Thankfully, a number of progressive legislators and activists are pursuing initiatives at the federal level to support public banking and finance institutions and activities.

Bill H.R. 8721 was introduced in October 2020 to provide for the federal charter of certain public banks. What would be the role of a public bank created by the federal government? Could it provide an effective pathway toward financing the green transition?

The Public Banking Act, a federal bill introduced to Congress in October 2020 by Representatives Rashida Tlaib and Alexandria Ocasio-Cortez, speaks directly to some of the demands expressed by public banking advocates in our survey analysis. The Public Banking Act aims to enable and encourage the creation of

public banks at state and local levels by establishing a comprehensive federal regulatory framework, grant programs and support [for] the financial infrastructure. In other words, this bill encourages the creation of public banks by providing “top-down” support for “bottom-up” local initiatives.

Under the Public Banking Act, public banks can become members of the Fed. In addition, this legislation presents a pathway for state-chartered banks to gain federal recognition and identifies a framework for public banks to interact with postal banking (where the USPS serves as a bank), or FedAccounts (where everyone gets an account with the Fed through which they could receive direct payments, such as stimulus checks, from the government). The bill also introduces lending rules and regulations regarding excluded and marginalized groups, ecological sustainability and data reporting. For instance, it prohibits public banks from engaging in or supporting fossil fuel investment. Besides, it directs the Fed to develop regulations and provide guidance to ensure that public banks’ activities remain consistent with climate goals and are universal and comprehensively include historically excluded and marginalized groups.

A key feature of the Public Banking Act is that it recognizes the need for more federal-level support for local- and state-level public banking initiatives. This legislation also shows that the Fed and the Treasury can be instrumental in supporting the financial infrastructure outside of their typical models of action.

There are other possible federal initiatives to help finance a Green New Deal. The Federal Reserve itself could buy green bonds, as suggested, for example, [by Robert Pollin](#). Or the government could create a free-standing “Green Bank” at the federal level to mobilize private capital and combine it with public monies to help fund the green transition. Finally, some have proposed the creation of a federal infrastructure bank, and presumably, this bank could be restricted to funding only climate-friendly investments. All of this could greatly complement initiatives at the state and municipal levels to promote solutions to the climate emergency.

Source: <https://truthout.org/public-banking-can-improve/>

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Neoliberalism In Their Hearts, Proto-Fascism In Their Heads: The Political Identity Of Today's GOP



Republicans have consistently adopted a reactionary orientation on race, ethnicity, and gender issues, and are fervid opponents of majority rule.

With becoming the party of Trump, analysts have sought to come to terms with the political identity of today's GOP. The general consensus among mainstream pundits seems to be that the Republican Party is no longer a conservative party, but has instead become something of an authoritarian outlier. Many from the progressive and radical community, on the other hand, go even further and claim

that the GOP is now a fascist party.

There is a problem with both approaches to the political identity of today's GOP. Let's examine first the claim that Trump's GOP is no longer a conservative party but, rather, an authoritarian outlier.

Even if we assume that the Republican party was a pure conservative party before Trump, which I take to be a highly dubious proposition for reasons to be explained further below, it should be pointed out then that, conservative parties, to a greater or lesser extent, have always been authoritarian. As such, to say that today's GOP has become an authoritarian outlier says very little, but also fails to capture the magnitude of the change that the Republican party has undergone since Trump's emergence on the political scene.

Indeed, lest we forget, the Republican party has been the "party of law and order" at least from the days of Barry Goldwater. And as any astute student of history will tell you, the politics of law and order (submission to authority and opposition to other groups) have always been a gateway to authoritarianism no matter the political or cultural setting. Authoritarianism and reactionism are in fact built into the fabric of conservatism.

For that matter, the Republican party has been in actuality very much a reactionary political force virtually from the early twentieth century onwards. It's history is replete with attempts to turn back the hands of time with respect to progress made on the political, social, and cultural front. Republicans have consistently adopted a reactionary orientation on race, ethnicity, and gender issues, and are fervid opponents of majority rule.

More than a decade ago, in an interview that appeared in the British political and cultural magazine *The New Statesman*, the brilliant and outspoken author of the "Narratives of Empire" captured rather powerfully the state of American politics at the time by saying that what you have with the Republican party is a "quasi-fascist batch" of people, "small-town enemies of everybody" who "believe in authority...in their own mind, and no-one else's."

Gore Vidal was using the above terms to refer to the reaction of Republicans to the governing of the United States—a "racist country," as he put it, that compared favorably to South Africa under apartheid—by a black president.

What has changed in the Republican Party over the last 10 or so years is the emergence of Trump with his uncanny ability to expand dramatically the base of this “quasi-fascist batch” of people and to make them feel so much empowered that they believed they had the right to overturn an election just because their own guy lost.

But that still begs the question of whether Trump’s GOP is a fascist or neo-fascist party.

Fascism is a form of government in which the ruling party not only embarks on censorship and bans political opposition, but uses the state to gain indirect control of the economy, sets all prices and wages, and controls the monetary system.

Fascism’s political economy does not revolve around the “free-market” system. Fascists not only nationalize certain industries, but compel the owners of those that remain in private hands to operate in accordance with the economic aims and goals of their government.

Fascism’s political economy stands in sharp contrast with the prevailing economic doctrine in the United States, which is neoliberalism. To be sure, there is no evidence whatsoever that the Republican party has abandoned its belief in the “free-market” system and, in turn, plans to embrace a vision of an “organized state-capitalist economy.” Neither has it become supportive of trade unions, which was very much the case with both Italian fascism and German National Socialism.

Neoliberalism, with its emphasis on privatization, deregulation, tax cuts for the rich, and massive attacks on workers’ rights, has been the economic philosophy of the GOP before and during Trump’s reign in power, and will surely continue to be so after Trump. Therefore, labelling the Republican party, with its pathological aversion to the idea of a strong central government steering the economy to help with development, as a fascist party is politically and ideologically fundamentally way off the mark. Republicans (like most Democrats since Clinton) carry neoliberalism in their hearts.

However, when it comes to politics, social and cultural issues, the orientation of the Republican party has been “proto-fascist” for quite a long time. By “proto-fascism,” I mean an ideological orientation, a state of mind, and potentially a movement whereby the political attitudes and predispositions of its members are

driven by hate, social frustration and racist tendencies, attraction for the strongman and contempt for the weak, idolization of violence and rejection of reason and the values of the Enlightenment. Fear of difference is also a trait of the “proto-fascist” frame of mind, as well as obsession with a plot and conspiracy theories in general.

America’s obsession with guns, god and the flag (a uniquely American *menage a trois*) is in general a classic display of “proto-fascist” mentality, which is another way of saying that “proto-fascism” has been an ever present phenomenon in the nation’s political culture.

Indeed, when we consider this nation’s saga of imperialism and long-stemming traditions of militarism, misogyny, racism, gun culture, aversion to sex education, and police brutality, it is beyond dispute that the United States has had a long history of “proto-fascism.” The difference now is that it finally has managed to put all the elements together and bring about the formation of an organized “proto-fascist” political force, but one whose economic principles remain unwaveringly committed to the dogma of neoliberal capitalism and is bent on using the government to make the rich richer while weakening further workers’ bargaining power and destroying nature on the altar of profit.

In sum, the best term to use in order to capture the political identity of today’s GOP is Neoliberal Proto-Fascism. And only time, and the way the powerful socio-economic and political contradictions resolve themselves in “the land of the free and the home of the brave,” will tell whether the GOP in particular and the country in general will make the ultimate move by embracing fully the vision, the politics, and the economics of fascism.

Source:

<https://www.commondreams.org/neoliberalism-their-hearts-proto-fascism-their-heads-political-identity-todays-gop>

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