Words: Jason Hickel
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# Money – the ultimate decolonizer?

*Conventional development is not delivering for people or planet. If countries in the Global South are to nourish and provide for their populations within ecological limits they will first need to break their financial dependence on international capital. Modern monetary theory offers a way to go about it.*

Global South countries face an extraordinary dilemma. Mass poverty is real: more than half of the world population lives on less than what is required to meet basic human needs. People need livelihoods. They need houses. They need public services. How can these needs be met? According to the dominant economic framework, the answer is straightforward: growth. Grow the Gross Domestic Product (GDP), create jobs, and then tax income in order to pay for the things that are necessary to improve people's lives: healthcare, education, housing, transportation, decent food and so on. Every neoclassical economist will tell you the same thing: GDP growth is the *precondition* for development.

So how do you grow the economy? Here's where the dilemma appears. One might try to use the same tools of the affluent nations in the Global North – broadly speaking, the US, Canada, Western Europe, Australia, New Zealand/Aotearoa and Japan – which developed their national productive capacity to supply domestic needs and built industries capable of competing effectively on the world market. This strategy requires protecting one's economy with trade tariffs and nurturing it with subsidies, boosting wages and public investment, and nationalizing key resources and services. We know that this kind of industrial policy works. In fact, it was used successfully by progressive governments across the Global South in the decades immediately following decolonization.

But that path was closed off, beginning in the 1980s. Northern powers realized that the shift toward economic sovereignty in the South threatened access to the cheap labour, raw materials and captive markets they had enjoyed during

the colonial era. So they intervened, using the World Bank and the International Monetary Fund (IMF) to impose structural adjustment programmes across the region (with the exception of China and a few East Asian countries), forcing governments to dismantle tariffs and subsidies, cut wages, and privatize public assets.

With their hopes of sovereign economic development crushed, most countries' only options for growth now are either to export raw materials (petroleum, coltan, palm oil, beef, fish, whatever) or export cheap labour (in the form of sweatshop output) to supply transnational companies and global commodity chains that service Northern consumers.

## Export fallacy

Both of these routes are problematic. Extractivism is ecologically ruinous and socially destructive. And it's a raw deal because low-income countries lack bargaining power in the world economy so have to sell their resources for extremely low prices. Meanwhile, relying on sweatshop exports means poverty wages and permanent exploitation. Plus, in order to please the barons of international capital and attract the investment required to get these projects off the ground, you have to cut environmental regulations, labour protections and corporate taxes in a brutal race to the bottom. Under these conditions, the yields of growth are mostly captured outside the country, and precious little trickles down to ordinary people.

This arrangement works beautifully for international capital as it ensures a steady supply of cheap labour and raw materials. But for Southern governments, it's a terrible bind: in order to provide for their citizens' most basic needs they have to offer themselves up to be exploited by rich nations and transnational companies, which of course inevitably works against the very goals they are trying to achieve. This is why we have the absurd situation where countries that are fabulously rich in labour and resources remain mired in mass poverty. It's because their labour and resources are organized around the economic interests of the rich world.

We can see this clearly in the empirical record. Recent research shows that rich countries rely on a large *net* appropriation of resources and labour from the Global South, including 10 billion tonnes of raw materials, 800 million hectares of land, 23 exajoules of energy and 200 million person-years of labour *per year*.[1] Let's put these giant sums into perspective: that amount of land could be used to grow nutritious food for four billion people; the energy would be enough to provide electricity and internet for the entire population of Africa as well as powering infrastructure for healthcare, education and public transport for all.[2] In other words, an extraordinary amount of the South's productive capacity is used to supply food, tech gadgets and fast fashion to affluent Northern consumers, when it could be being used to meet *local* human needs.

This export-focused approach to 'development' will never work, because *it is not designed to work*. It is designed to maintain Northern access to cheap labour, raw materials, and markets in the Global South. This is why inequality between the Global North and South has exploded over the past few decades: our approach to development enables an extraordinary transfer of resources and profits from poor countries to rich countries.[3] For people in the South, their incomes might increase by a little bit, but at an extremely slow rate – not nearly enough to bring people out of poverty measured by any meaningful threshold, and definitely not enough to compensate for the exploitation and environmental degradation they suffer in the process.

## New monetary framework

Fortunately, there is another way. The central fallacy of international development is that you have to pursue GDP growth *first* in order to get what you actually want, namely things to meet people's basic needs. In reality, GDP is an unnecessary intermediary. The key insight of research in post-development and post-growth economics is to point out that what's actually required to meet people's needs is resources and labour. And there the South suffers no deficit. The problem, as Senegalese economist Ndongo Samba Sylla points out, is that they are either not being used (ie there's mass unemployment) or they are not being used in a way that actually benefits the population (ie resources and labour are appropriated to service Northern consumption).[4] What Southern governments can do instead, then, is mobilize their resources and labour around meeting actual human needs and thus achieve their development goals directly.

How can this be accomplished? This is where modern monetary theory (MMT) comes in. MMT may seem complex at first, but in fact it is remarkably simple. As MMT economists have long pointed out, governments are not like households. They do not have to 'earn money' (through, say, taxing or borrowing) in order to spend. They can *create* money for public spending, simply by issuing currency and expanding the deficit. This is not a hypothetical scenario. It is how governments actually work. They fund public services and public employment by creating money. And they do not have to worry about 'balancing the budget', because they cannot become insolvent in their own currency.

Of course, there are limits to money creation. If you spend too much money into the economy, demand may overwhelm the country's productive capacity, which risks driving excess inflation. But if this happens there's a simple solution: you can use industrial policy to expand capacity where necessary, and you can tax excess money back out of the economy, starting with the richest in society. According to MMT, the purpose of taxation is *not* to fund government spending – as governments can fund spending simply by issuing currency – but rather to reduce excess demand, and, as an important side effect, to reduce corrosive inequality.

MMT opens exciting possibilities for an alternative economic model, where the national currency is used to mobilize domestic resources and labour to accomplish human development. To do this, governments can simply issue money and spend it on achieving four urgent goals:

(i) **Universal public services**. Develop generous, high-quality universal public services. Not just healthcare and education, but also public transportation, affordable housing, water, electricity and internet.
(ii) **Food sovereignty**. Focus on regenerative agriculture and fisheries to produce healthy, organic food for domestic consumption, reducing imports while restoring soils, biodiversity and marine life.
(iii) **Energy sovereignty**. Roll out renewable energy infrastructure – solar panels and wind turbines – to replace fossil fuels and reduce energy imports. It doesn't take much: high levels of welfare can be accomplished with minimal energy.[2]
(iv) **Public jobs guarantee**. All of the above requires labour, so governments need to ensure that anyone who wants to can train to contribute to socially valuable projects – and be paid a living wage – such as building houses and infrastructure, staffing public services, expanding renewable energy, regenerating farmland etc.[5]

Colonizers understood the key principle of monetary policy: whoever controls the currency gets to decide how labour and resources are used

This approach would ensure decent livelihoods for all, with universal access to clean energy, healthy food and public services. The age-old question of 'how do we get enough GDP to end poverty and meet our development goals' becomes much less relevant. Growth becomes an *effect* of development, rather than a precondition for it.

Now, I can hear your objection: MMT might work for rich countries like the US and UK but not for poorer countries, which rely so heavily on foreign finance and investment. Rich governments can only get away with printing money and expanding fiscal deficits because they have such extraordinary geopolitical and economic power, which means investors will be happy to buy their bonds and extend credit regardless of what their fiscal and monetary policy is, precisely because these countries are so dominant. But most Global South countries do not enjoy the same privileges.

This critique raises an important question. In theory, MMT applies to any government that issues its own sovereign currency. The vast majority of Southern governments have this power, with the exception of West African countries that rely on the Franc CFA, or countries like El Salvador and Timor-Leste that use the US dollar. But it's true that even countries with sovereign currencies face constraints because so many of them rely heavily on external finance: they are in debt to foreign creditors, in currencies (such as the US dollar) which they do not control. External debts have to be paid back, with interest, in foreign currency; and to get foreign currency governments have to organize their economies around the desires of foreign capital.

## Colonial legacies

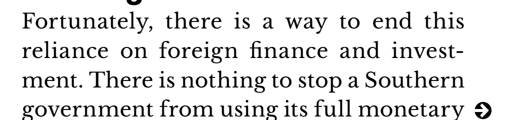
This arrangement is no accident. When the structural adjustment programmes of the 1980s dismantled domestic industries, they rendered Global South countries dependent on imports, and therefore also dependent on foreign currency and creditors. This is a problem not only because it requires them to render themselves exploitable but because it also limits their policy options. Foreign creditors require fiscal and monetary 'discipline'; governments cannot use deficit spending because their creditors (and the ratings agencies) will punish them, capital will flee, and borrowing costs will rise. Plus, deficit spending is against World Bank and IMF rules, so any government that is subject to multilateral debt has its hands tied.

Financial dependence is how the colonial relationship is maintained into the post-colonial era. It is the iron fist by which Northern capital continues to rule the South.[6] And it's a vicious circle: because you rely on foreign currency, you cannot use deficit spending; and because you cannot use deficit spending you are forced to rely on foreign currency. And that means opening yourself to exploitation by rich countries.

This is a longstanding strategy of colonial power. During the colonial period, Europeans needed ways to compel people to work on their plantations and mines, or to shift from subsistence production to export production. One option was to use direct coercion, like enslavement; and certainly, they did plenty of that. But they also resorted to taxation: tax the local population in a currency they do not possess (any colonial currency will do), so that in order to get it they have no choice but to work in European industries for wages, or sell things to European buyers. In other words, the point of taxation – backed up by the threat of violence – was to induce an artificial scarcity of money, in order to compel people to hand over labour and resources. Colonizers understood the key principle of monetary policy: whoever controls the currency gets to decide how labour and resources are used.

When colonial powers withdrew their flags and armies from the South, this arrangement didn't disappear. It just changed form. Today, the artificial scarcity is maintained by enforcing structural dependence on international capital, and enforcing fiscal and monetary discipline. All of this ensures that capital has access to cheap labour and resources, and maintains a steady flow of tribute from South to North.

## Breaking free



Fortunately, there is a way to end this reliance on foreign finance and investment. There is nothing to stop a Southern government from using its full monetary

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powers, within the limits of the economy's productive capacity. But to do so, they have to break free from the power of international creditors. That means defaulting on external debt obligations (or at least defaulting on any creditors that prevent them from deficit spending). This might sound radical, but it's really not. Unilateral default has been used successfully by governments many times in the past, and with positive outcomes; it's just that in today's neoliberal era it seems so heretical as to be unthinkable.[7]

Of course, there would be consequences. Default might make it more difficult to borrow on international markets, at least in the short term (probably around a year). And angering international creditors is likely to cause currency depreciation, which in turn makes imports more expensive – specifically energy and food, which comprise the majority of Southern imports.

Some of these negative ramifications can be mitigated. If, for example, multiple Southern countries co-ordinate default together (the 'united debt resistance' that the revolutionary Burkinabe president Thomas Sankara famously called for in the 1980s) this would reduce creditors' leverage and force them to swallow the losses.

But preparations would still have to be made for the fallout. The good news is that these would take the form of the four key measures I outlined above. Relying on national currency instantly eases the need for foreign credit. And working toward self-sufficiency in energy and food goes a long way to reducing the need for imports. Tariffs and subsidies can be used to develop national industries, substituting imports and further reducing reliance on foreign currency and creditors. Northern trading partners will be upset, but since the aim is to be less reliant on them this shouldn't matter as much as it does now.

Taking this approach would bring an added benefit: reducing inflation pressures. As Fadhel Kaboub from Denison University has explained, when inflation happens in the Global South it's quite often 'imported' from currency exchange rates and trade imbalances.[8] The MMT approach to development therefore offers a solution to inflation (rather than creating a risk of inflation, as people often assume) by reducing dependency on foreign currency and imports. As for cases where imported goods cannot be substituted, we can minimize trade with Northern countries and opt instead to trade with Southern partners, where the terms of trade are fairer ('de-linking', as Egyptian economist Samir Amin put it, from unequal exchange with the North).

We can also impose capital controls to prevent finance from fleeing the country: rules that require investors, companies and rich people to get approval, and pay fees, before moving their profits or holdings abroad. This way money – and foreign currency – stays in the country and can be used for domestic investment and trade, which further reduces reliance on foreign credit. There's nothing actually radical about this policy; it was used widely in the pre-neoliberal era. Foreign investors don't like it, but again, reliance on them should be reducing, so this doesn't matter as much as it otherwise might. They've lost their power to punish.

All of this would release Southern governments from the grip of neo-colonial power. The steps I've suggested here amount to a kind of unilateral decolonization; in other words, a throwing off of colonial power. They would expand economic sovereignty and enable us to build societies around human wellbeing and ecological regeneration, rather than around the interests of international capital. These ideas are not new. They were promoted by Gandhi, Sankara, Franz Fanon, Julius Nyerere and other leading figures of the anti-colonial struggle, who understood that economic sovereignty and self-reliance were essential to real decolonization.

This approach helps us solve the dilemma of development. But it also helps address the other central crisis of our time: ecological breakdown. Research in industrial ecology makes it clear that global ecological breakdown is being driven overwhelmingly by rich nations. The Global North is responsible for 92 per cent of all emissions in excess of the planetary boundary. (I have calculated this using an 'equality-attribution' method that takes into account historical carbon emissions, and ties emissions to where they are consumed).[9] They have colonized the atmosphere for their own enrichment.

High-income countries are also responsible for the vast majority of excess resource use, with per-capita consumption at more than four times the sustainable level – much of which is plundered from the Global South.[1]

Research in the field of ecological economics has made it clear that if we are to have any chance of keeping global warming under 1.5 or 2°C and reversing ecological breakdown, rich countries will have to scale down their energy and material throughput – in other words, degrowth.[10]

## Enforced degrowth

As a number of scholars have pointed out, degrowth in the North entails a reduction in extractivism and liberates Southern labour and resources for other ends. But scholarship in degrowth faces a conundrum. We know that it's possible for rich nations to scale down resource and energy use while improving social outcomes;[11] but why would they voluntarily make such a transition, when they benefit so prodigiously from the status quo? Of course, we might hope that enlightened leaders will take steps to bring their economies into line with ecological objectives, or that social movements will eventually force them to do so. But why should we wait around for this to happen?

The approach I've called for here – unilateral decolonization – helps solve this problem. The South has the power to enforce degrowth in the North, by refusing to be used as a supplier of cheap labour and raw materials for Northern consumption. Ending this exploitative relationship would require Northern countries to either pay more for resource and labour imports from the South, or otherwise to rely on their own resources and labour. Both options would be more expensive, so Northern countries would have to consume less (ie find ways to meet human needs with more modest amounts of throughput), and the rate of capital accumulation would decline.

As the 21st century unfolds, we must strive for a world where everyone can live healthy, dignified lives in balance with the planet's ecosystems. This requires a radical convergence in the global economy: resource use in the North needs to decline dramatically to get back to sustainable levels, while resources in the South must be reclaimed for meeting human needs, converging at a level that is consistent with universal human welfare and ecological stability. By leveraging insights from MMT to enable economic sovereignty in the South, we can take real steps toward realizing such a world. Full decolonization remains to be achieved – but it is not out of reach. ●

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***For evil to triumph, it is only necessary that good men do nothing.***

Edmund Burke (1729-1797)