

# Neoliberal Capitalism's Fatal Flaws: A Call for an Alternative Economic System

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*The ideological framework of neo-liberal economics or neo-liberal capitalism which drives economic globalization at present is fatally flawed in its belief in the freedom of the market, not in the freedom of people. P. R. Sarkar, an Indian thinker who founded the Progressive Utilization Theory or PROUT, identified four inter-related flaws of global capitalism (as cited in Mahesvarananda, 2012, pp. 23-29).*

The first fatal flaw is great concentration of wealth in the hands of a few while half of the world languishes in poverty, hunger, and deprivation of basic and higher needs. This is what Chossudovsky (2003) termed as “the globalization of poverty” as the few elite in the business and intergovernmental institutions manipulate economic and financial forces globally which results to poverty of large and widespread sectors of the global population, even in countries considered as economically prosperous like US and China.

The second fatal flaw of global capitalism is that the vast majority of investments are now made in speculation rather than production, which means that wealthy individuals prefer to gamble on ventures that offer the chance to earn big profits quickly such as the stock market, the futures market, real estate, currency trading, derivatives, etc. (Mahesvarananda, 2012). The consequence of this is that only a few new jobs are created while concentrating the wealth of the society in the hands of fewer and fewer individuals.

The third fatal flaw is neoliberal capitalism's encouragement of consumers, businesses, and national governments to buy on credit or to fund so-called “development projects” through debts from international financial institutions, causing consumers and nations to dig themselves into debilitating debt traps.

In addition to causing terrible human suffering due to the concentration of wealth in the hands of the few elites and the ensuing poverty of a great majority of the world's population, neo-liberalism's fourth fatal flaw is its tendency to exploit and ignore the natural environment (Maheshvarananda, 2012). By its very nature, capitalism strives for ever-expanding markets, increasing consumption and production on a finite planet with its insatiable drive for profits resulting in corporations wielding their influence, money and power to get around or limit environmental laws and regulations. This results to grave harm both to the planet and to human beings by corporations that exist to gain profits, expand markets, and increase consumption and production without end.

Grave Corporate Culpabilities: Some Examples from Different Parts of the World

Examples from all over the world abound on the grave harm done to health and

environment by the operations of multinational corporations which are not premised on environmental sustainability but rather on an insatiable drive for profits and ever-expanding markets through industrial or chemical farming, endless search for markets, and an increasing consumption and production on a finite, fragile planet. On December 3, 1984, a pesticide plant run by Union Carbide leaked about 40 tons of deadly methyl isocyanate gas into the air of Bhopal, India, quickly killing about 4,000 people (Associated Press, December 4, 2014). The poison left lingering effects which raised the death toll to about 15,000 over the next few years, according to government estimates. The effects of the leak of the poisonous gas can be seen thirty years later, according to activists, with thousands of children who were born with brain damage, missing palates and twisted limbs because of their parents' exposure to the gas or the water contaminated by it. The Indian government says at least 500,000 people were affected all in all.

Another example on a global scale is the fast food industry which is operated with grave disregard for animal welfare, environmental conservation, and human health with its way of mass raisings of chickens, pigs, and cows under very cramped and unkind conditions wherein the animals live so close to each other, stand on their own manures, are fed with feeds mixed with hormones and antibiotics for fast growth and meat production, and are killed without any regard for the animals at all except as commodities and food for human consumption. The documentary *Food, Inc.* directed by Robert Penner revealed how food production in contemporary times has become so industrialized and monopolized by companies like Tyson and Monsanto in America to the extent of having mechanized food processing such as using disinfectants like ammonium hydroxide to ward off bacteria from beef, the feeding of cows with corn instead of grass for fast meat production, and the engineering of food such that the same ingredients can be found in different products displayed in supermarkets. The end result is unhealthy eating with the same sodium, sugar, and fat content leading to obesity, diabetes, high cholesterol level, and other sicknesses.

But the most glaring example is the recent and current destabilizations of the governments of Middle Eastern countries which are either rich in oil or are socialist in nature. Corporations engaged in the manufacture of war armaments like Halliburton earn great profits with America's war against Iraq, the war in Afghanistan, the destabilizations of once stable countries like Libya, Syria, and now Tunisia. The war on terror is really the war for oil and the spread of global capitalism.

The war for oil and the spread of capitalism is motivated by the rich and powerful nations' desire for conquest over the rest of the world in order to establish its political and cultural hegemony over the rest of the world. The British documentary film *The Age of Stupid* showed how battles were waged for different resources such as spices, gold, human slaves, coal, and more recently, for oil. Multinational corporations continue its explorations for more oil even reaching as far as Antarctica, gravely threatening the breaking of glaciers and endangering the polar bears, seals, fishes, and penguins in this region. In Nigeria where a multinational oil corporation operates to extract the country's oil, the people were left in a dire state with their river and fishes contaminated with oil, their communities burned down by the military in connivance with the oil company, and their air polluted by the burning of excess oil into the atmosphere.

The Mining Disasters in the Philippines: Should the People's Welfare be Subordinate to the Dictates of Neoliberal Economy?

Major tailings dam disasters have occurred in different parts of the Philippines with the liberalization of mining which allowed foreign ownership of large mining projects in the country resulting to the contamination of once pristine river waters and bays and the death of fishes, plants, and other living organisms in these bodies of water. Sometimes, the spillage of the tailings dams resulted to flooding of entire communities with contaminated water leading to sickness, death, or evacuation from their homes and sources of livelihood. The cause-oriented movement known as *Alyansa Tigil Mina* (Alliance to Stop Mining) has documented, taken photos, and uploaded online the major tailings dam disasters that have occurred in different parts of the Philippines.

In April 6 and July 11, 2007, heavy rainwater washed the clay soil and destroyed the sulphide dam used for extracting copper and nickel resulting to the contamination of waters in Canatuan and Siocon Rivers with mercury and cyanide towards the sea. TVI Pacific Inc., a Canadian company, was the foreign company involved and the Subanons were the indigenous people most affected by this mining project. In October 11 and 31, 2005, in Rapu rapu Island, Albay, the lower tailings facility storage spilled due to heavy rains and in the morning of November 1, 2005, fishes and other marine organisms were found dead at Ungay and Hollowstone Creeks.

Other tailings dam spillage occurred in San Marcelino, Zambales in 2002 when heavy rains caused the collapse of the Bayarong tailings dam resulting to the flooding of low lying villages with mine waste, the evacuation of families, and the contamination of waters in Mapanuepe Lake and Sto. Tomas River. In Sipalay, Negros Occidental, the destruction of a tailings pond caused the inundation of agricultural land up to 1.5 m high in 1982 and the siltation of Sipalay River in 1995. In 1999, the tailings dam from Atlas Consolidated Mining and Development Corporation in Toledo City, Cebu discharged mine waste into Sapangdaku River towards the sea causing fish kill, including the large fishes. Other tailings dam disasters occurred in Placer, Surigao del Norte, Zamboanga del Norte, and Benguet causing contamination of the adjoining rivers, affecting downstream irrigation systems and rice production, fish kills, and blindness of people.

The worst tailings dam disaster in the Philippines occurred in Marinduque in 1993 and 1996. The Marcopper Mining Corporation began mining operations in Marinduque Island in 1969 with Placer Dome, a Canadian company, co-owning 40% of the mining operations. From 1975 to mid-1991, Placer Dome dumped some 200 million tons of mine tailings via surface disposal into Calancan Bay, which hurt the livelihood of fishermen who relied on Calancan Bay for fishing. Not only was waste entering Calancan Bay, but in order to drain rainwater from the mining pit, a tunnel was built from the mine to the Boac River. Marcopper built another dam near Mogpog River since Tapian pit cannot hold all of their mine wastes.

An Environmental Justice Case Study led by Catherine Coumans of the Canada Asia Working Group (2000) described what happened in the following manner:

After the completion of the dam in 1992, villagers started noticing waste flowing into the river as well as the appearance of large quantities of dead fish. Siltation from the waste dump started building up in the Mogpog River increasing the severity of flooding in the rainy season. The seasonal rains in 1993 caused intense flooding and the dam collapsed altogether. Toxic silt and water flowed down the river and into the town, destroying homes and rice fields, and killing animals. Two people lost their lives because of this accident. Three years later, on March 24, 1996, 2-3 million tons of mine waste leaked into the 26-kilometer long Boac River. The plug that sealed the Tapian pit tunnel to the Boac had

fractured, releasing mine waste at a rate of 5-10 cubic meters per second. The pit contained around 23 million metric tons of mine waste.

The immediate effects were disastrous. Flash floods isolated villages and one was buried under six feet of floodwater. The channels, as well as the valley floor, were buried under mine tailings. Agricultural fields were inundated, and the drinking water residents relied on was contaminated. Fish, shrimp and other food sources, which are the main livelihood for those who do not work for Marcopper, were immediately killed. The government declared the Boac River dead. Twenty villages out of the 60 had to evacuate their area following the accident. A report released on April 17, 1996 by the Department of Health found nine residents in the area to have zinc levels in their blood more than 200% above safe limits. Water samples found levels of contamination 1,300% above the human tolerable level of .5 microgram per 1/1000 liters of water. Despite these findings, Marcopper held on to the claim that the tailings were non-toxic. Residents also complained of skin irritations and respiratory problems, which could have been caused by the poisonous vapors emitted from tailings.

Marcopper mining operations were closed after this. Placer Dome accepted responsibility for the costs of the clean-up and has spent about \$71 million for the Boac River clean up.

GMA news reported that some 20 million metric tons of sediments have flowed into water channels from the Philex tailings pond in Itogon since its drainage tunnel was breached in August 2012. This is ten times more than the volume of mine tailings that spilled out of the Marcopper mine in 1996 in Marinduque, which dumped some two million metric tons of waste into the Boac River and is still considered the worst mining disaster in terms of toxicity. Residents along the 27-kilometer Boac River lost their fishing livelihood and diseases have afflicted the community after the incident.

### The Call for an Alternative Economic System

Global capitalism which is premised on the free market system dictated by price signals and increasing consumption and production with incessant aim for profits is fatally flawed, as shown by the arguments and examples of grave harm caused by corporate operations described in the preceding paragraphs. Civil society thinkers like Nicanor Perlas from the Philippines and P.R. Sarkar from India both offer alternative economic systems that are more sound, more humanistic, and more viable for sustainable development. Nicanor Perlas (1997) proposes “associative economics” to refer to a new mode of economic interaction and organization which does not rely on abstract price signals and centralized planning and implementation to control thousands of economic activities. Instead, it relies on face-to-face, human interaction of representatives of the major groups in the economic sphere of society: producers, traders, creditors, and consumers.

Perlas (1997) explained that in the capitalist system, the creativity of the human spirit is chained to the pursuit of profits, wealth, greed and power. In associative economics, “creativity and compassion are consciously willed to create an economics that satisfies true human needs, that fosters transparency, that engenders empowerment and participation, and that creates communities of solidarity and cooperation” (p. 21). The term “associative economics” was first used by Rudolf Steiner in 1917-1918 and is broadened by Perlas to include a range of economic innovations including socially responsible investing, indigenous economics, economic district management system, community supported agriculture, green banks, green consumerism, tekei, and other similar initiatives. Its general framework includes the following criteria:

- 1) going beyond the price or profit as the determinant of economic behavior;
- 2) concern not just for economic values but for social, human, and environmental values as well; and
- 3) attempt to base economic decisions on a discussion or examination of the need and welfare of other actors in the economy and the society at large. In the Philippines, this means passing the People's Mining Bill which aims for sustainable mining, that accrues gains for the local communities, and that is needs-based rather than dictated by global market forces.

The concept of associate economics is very much similar to the profound concept of progressive utilization theory (PROUT) by P. R. Sarkar of India which takes into consideration universal spiritual values rather than pure materialism that is promoted by the capitalist system. A spiritual perspective "includes respect and gratitude for all beings, and gradually ever-expanding feelings of compassion, altruism, and unconditional love for all" (Mahesvaranda, 2012, p. 47). This is the highest of the human needs, that which goes beyond self-actualization, and which involves "self-transcendence, wisdom and connecting with the sacred, the infinite, to reach states of peace and transcendent happiness" (p. 47).

The goal is to have balanced physical, mental and spiritual realms integrated to create healthy, holistic societies. The urgent task is to "transform the present materialistic society into a spiritually-oriented, global human family" (Maheshvarananda, 2012, p, 48).

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