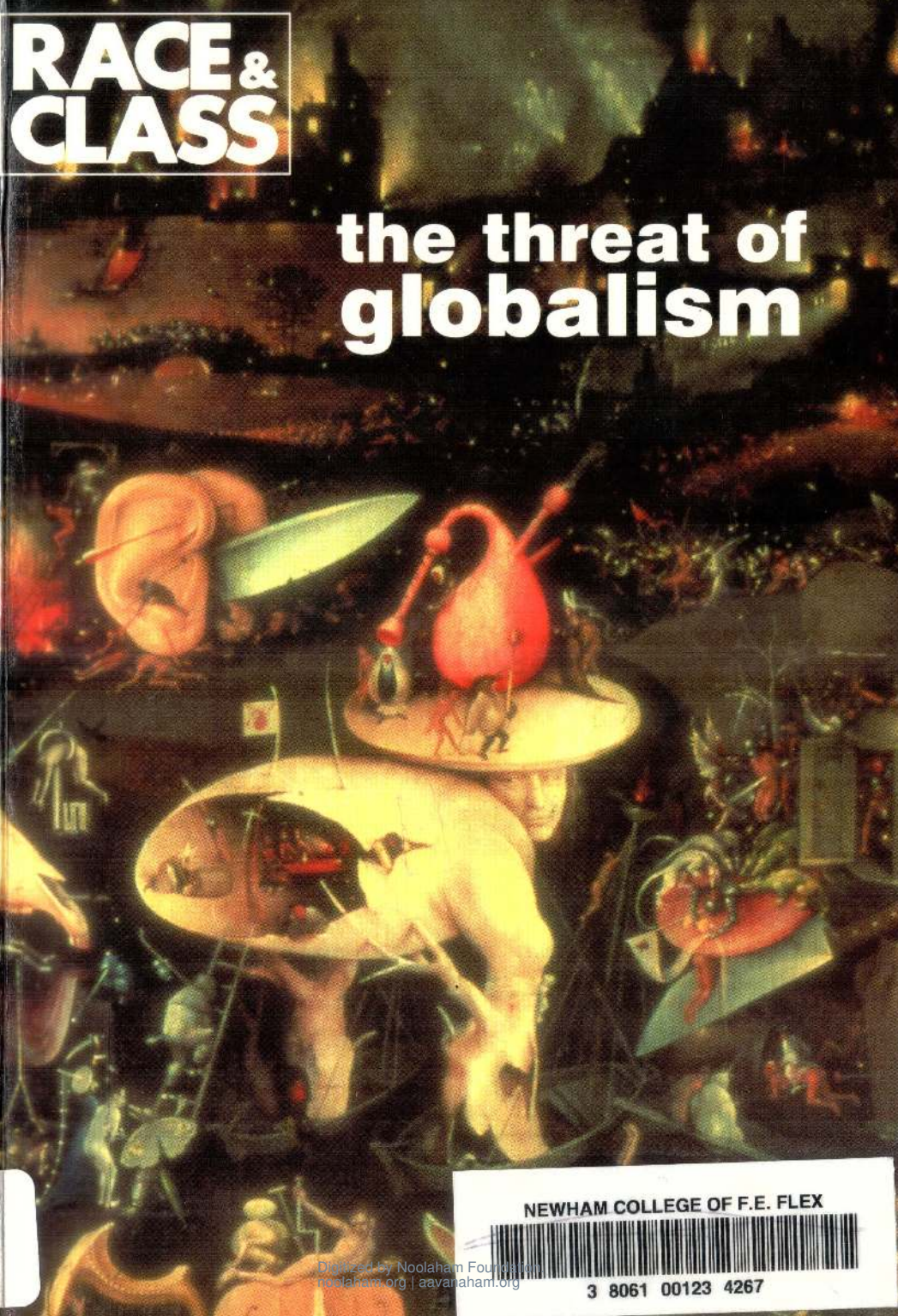


# RACE & CLASS

## the threat of globalism



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# RACE & CLASS

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## The threat of globalism

### The threat

- Against the great defeat of the world  
JOHN BERGER 1
- Globalism and the Left  
A. SIVANANDAN 5

### The 'transformation'

- Globalisation and the technological transformation of  
capitalism  
JERRY HARRIS 21
- Rethinking globalisation  
JIM DAVIS 37
- Where do you want to go today? The rise of information  
capital  
ARUN KUNDNANI 49
- Biotechnology under globalisation: the corporate  
expropriation of plant, animal and microbial species  
JONATHAN KING and DOREEN STABINSKY 73
- Charting globalisation  
NEIL LAZARUS 91

### The impact

- Latin America and global capitalism  
WILLIAM I. ROBINSON 111
- The Asian economic implosion: causes, dynamics,  
prospects  
WALDEN BELLO 133

Globalism and the prison industrial complex: an interview with ANGELA DAVIS AVERY F. GORDON	145
The MAI: multilateralism from above JAMES DAVIS and CHERYL BISHOP	159
Globalisation and US prison growth: from military Keynesianism to post-Keynesian militarism RUTH WILSON GILMORE	171
Popular racism in corporate Europe LIZ FEKETE	189
The level playing field: Hansonism, globalisation, racism SUVENDRINI PERERA	199

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# Against the great defeat of the world

*an introduction by John Berger*

In the history of painting one can sometimes find strange prophecies. Prophecies that were not intended as such by the painter. It is almost as if the visible by itself can have its own nightmares. For example, in Breughel's *Triumph of Death*, painted in the 1560s and now in the Prado Museum, there is already a terrible prophecy of the Nazi extermination camps.

Most prophecies, when specific, are bound to be bad, for, throughout history, there are always new terrors – even if a few disappear, yet there are no new happinesses – happiness is always the old one. It is the modes of struggle for this happiness which change.

Half a century before Breughel, Hieronymus Bosch painted his *Millennium Triptych*. The left hand panel of the triptych shows Adam and Eve in Paradise, the large central panel describes The Garden of Earthly Delights and the right hand panel (of which a large part is reproduced on the cover of this number) depicts Hell. And this hell has become a strange prophecy of the mental climate imposed on the world, at the end of our century, by globalisation and the new economic order.

Let me try to explain how. It has little to do with the symbolism employed in the painting. Bosch's symbols probably came from the secret, proverbial, heretical language of certain fifteenth-century millennial sects, who heretically believed that, if evil could be overcome, it was possible to build heaven on earth! Many essays have been written about the allegories to be found in his work.<sup>1</sup> Yet if Bosch's vision of hell is prophetic, the prophecy is not so much in the details – haunting and grotesque as they are – but in the whole. Or, to put it another way, in what constitutes the space of hell.

There is no horizon there. There is no continuity between actions, there are no pauses, no paths, no pattern, no past and no future. There is only the clamour of the disparate, fragmentary present. Everywhere there are surprises and sensations, yet nowhere is there any outcome. Nothing flows through: everything interrupts. There is a kind of spatial delirium.

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*John Berger* is art critic, documentary writer, playwright and novelist.

*Race & Class*, 40, 2/3 (1998/99)

Compare this space to what one sees in the average publicity slot, or in a typical CNN news bulletin, or any mass media commentary. There is a comparable incoherence, a comparable wilderness of separate excitements, a similar frenzy.

Bosch's prophecy was of the world-picture which is communicated to us today by the media under the impact of globalisation, with its delinquent need to sell incessantly. Both are like a puzzle whose wretched pieces do not fit together.

And this was precisely the term which the Subcommandante Marcos used in a letter about the new world order last year. He was writing from the Chiapas, south-east Mexico.<sup>2</sup> I cannot do justice in a few lines to his full analysis. He sees the planet today as the battlefield of a Fourth World War. (The Third was the so-called Cold War.) The aim of the belligerents is the conquest of the entire world through the market. The arsenals are financial; there are nevertheless millions of people being maimed or killed every moment. The aim of those waging the war is to rule the world from new, abstract power centres – megapoles of the market, which will be subject to no control except that of the logic of investment. Meanwhile, nine-tenths of the women and men living on the planet live with the jagged pieces which do not fit.

**Everywhere there are  
surprises and  
sensations, yet nowhere  
is there any outcome**

The jaggedness in Bosch's panel is so similar that I half expect to find there the seven pieces which Marcos named.

The first piece he named has the shape of a dollar sign and is green. The piece consists of the new concentration of global wealth in fewer and fewer hands and the unprecedented extension of hopeless poverties.

The second piece is triangular and consists of a lie. The new order claims to rationalise and modernise production and human endeavour. In reality, it is a return to the barbarism of the beginnings of the industrial revolution, with the important difference, this time round, that the barbarism is unchecked by any opposing ethical consideration or principle. The new order is fanatical and totalitarian. (Within its own system there are no appeals. Its totalitarianism does not concern politics – which, by its reckoning have been superseded – but global monetary control.) Consider the children. One hundred million in the world live in the street. Two hundred million are engaged in the global labour force.

The third piece is round like a vicious circle. It consists of enforced emigration. The more enterprising of those who have nothing try to emigrate to survive. Yet the new order works night and day according to the principle that anybody who does not produce, who does not consume, and who has no money to put into a bank, is redundant. So the emigrants, the landless, the homeless are treated as the waste matter of the system: to be eliminated.

The fourth piece is rectangular like a mirror. It consists of an ongoing

exchange between the commercial banks and the world racketeers, for crime, too, has been globalised.

The fifth piece is more or less a pentagon. It consists of physical repression. The nation states under the new order have lost their economic independence, their political initiative and their sovereignty. (The new rhetoric of most politicians is an attempt to disguise their political, as distinct from civic or repressive, powerlessness.) The new task of the nation states is to manage what is allotted to them, to protect the interests of the market's mega-enterprises and, above all, to control and police the redundant.

The sixth piece is the shape of a scribble and consists of breakages. On the one hand, the new order does away with frontiers and distances by the instantaneous telecommunication of exchanges and deals, by obligatory free trade zones (NAFTA) and by the imposition everywhere of the single unquestionable law of the market; and, on the other hand, it provokes fragmentation and the proliferation of frontiers by its undermining of the nation state – for example, the former Soviet Union, Yugoslavia, etc. 'A world of broken mirrors', wrote Marcos, 'reflecting the useless unity of the neo-liberal puzzle.'

The seventh piece of the puzzle has the shape of a pocket, and consists of all the various pockets of resistance against the new order which are developing across the globe. The Zapatistas in south-east Mexico are one such pocket. Others, in different circumstances, have not necessarily chosen armed resistance. The many pockets do not have a common political programme as such. How could they, existing as they do in the broken puzzle? Yet their heterogeneity may be a promise. What they have in common is their defence of the redundant, the next-to-be-eliminated, and their belief that the Fourth World War is a crime against humanity.

**The new order  
is fanatical and  
totalitarian**

The seven pieces will never fit together to make any sense. This lack of sense, this absurdity, is endemic to the new order. As Bosch foresaw in his vision of hell, there is no horizon. The world is burning. Every figure is trying to survive by concentrating on his own immediate need and survival. Claustrophobia, at its most extreme, is not caused by overcrowding, but by the lack of any continuity existing between one action and the next which is close enough to be touching it. It is this which is hell. The culture in which we live is perhaps the most claustrophobic that has ever existed; in the culture of globalisation, as in Bosch's hell, there is no glimpse of an *elsewhere* or an *otherwise*. The given is a prison. And faced with such reductionism, human intelligence is reduced to greed.

Marcos ended his letter by saying: 'It is necessary to build a new world, a world capable of containing many worlds, capable of containing all worlds.'

What the painting by Bosch does is to remind us – if prophecies can be called reminders – that the first step towards building an alternative world has to be a refusal of the world-picture implanted in our minds and all the false promises used everywhere to justify and idealise the delinquent and insatiable need to sell. Another space is vitally necessary.

**As Bosch foresaw in  
his vision of hell,  
there is no horizon.  
The world is burning**

First, an horizon has to be discovered. And for this we have to refind hope – against all the odds of what the new order pretends and perpetrates.

Hope, however, is an act of faith and has to be sustained by other concrete actions. For example, the action of *approach*, of measuring distances and *walking towards*. This will lead to collaborations which deny discontinuity. The act of resistance means not only refusing to accept the absurdity of the world-picture offered us, but denouncing it. And when hell is denounced from within, it ceases to be hell.

In pockets of resistance as they exist today, the other two panels of Bosch's triptych, showing Adam and Eve and the Garden of Earthly Delights, can be studied by torchlight in the dark... we need them.

I would like to end by quoting the Argentinian poet, Juan Gelman:

death itself has come with its documentation /  
we're going to take up again  
the struggle / again we're going to begin  
again we're going to begin all of us

against the great defeat of the world /  
little *compañeros* who never end / or  
who burn like fire in the memory  
again / and again / and again.<sup>3</sup>

## References

- 1 One of the most original, even if contested, is the *Millennium of Hieronymous Bosch* by Wilhelm Franger (London, Faber & Faber, 1952).
- 2 This letter was published in August 1997 throughout the world press, and notably in *Le Monde Diplomatique*, Paris.
- 3 Juan Gelman, *Unthinkable Tenderness*, translated by Joan Lindgren (University of California Press).



## Globalism and the Left

If imperialism is the latest stage of capitalism, globalism is the latest stage of imperialism – and, yet, nowhere in the whole literature of the Left<sup>1</sup> is there any evidence of a systematic attempt to understand, let alone combat, the havoc being wreaked on Third World countries by capital in its latest avatar. Instead, the Left has either sought refuge from the storms of change in the Orthodox Marxist Church, intoning capitalism is capitalism and rubbishishing the disbelievers, or, while accepting the epochal shift in capitalism, continued to resort to the particular (Marxist) analysis of a particular (industrial) period to envisage capitalism's early demise, hopefully at its own hands.

**globalism is the  
latest stage of  
imperialism**

The first lot and the more important<sup>2</sup> maintain that the universalisation of capitalism is no new thing – that it was always global (in intent, presumably, if not in deed), only now it is more so. And the opposition to capitalism is still in place. The nation state has not been overrun by global capital, there's still room for manoeuvre there; the polity still allows of enough democracy for us to take advantage of it in our fight against capital; the working class (in the developed capitalist countries) is still the agent of change and working-class organisation the vehicle of change. To depart from any of these eternal verities and assert that there is an epochal change in capitalism – at least as significant as the transition from mercantile capitalism to industrial capitalism – which

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requires us to rethink our strategies and realign our forces, is to succumb to the disease of 'the post-modern Left' and all those others who declare, with Thatcher, that there is no alternative (TINA) to capitalism. Merely to utter the word globalisation, which, according to this 'school', is a right-wing shibboleth deriving from neo-liberal ideology, is to sing hosannas to capitalism while laying premature wreaths on a living, breathing socialism.

Hence, its followers reject the term globalisation and those of us who use it to describe the unprecedented universalisation of capitalism – except that universalisation does not quite describe it, being more of a thinking word, abstract, conceptual, whereas globalisation is a doing word, a happening word, concrete. Globalisation is a process, not a concept, globalism is the project. And the project is imperialism. To

***To dismiss globalisation  
as a right-wing thesis...  
is not to dismiss  
capitalist triumphalism,  
but to evade it***

dismiss globalisation as a right-wing thesis, to traduce it as 'globaloney' and saddle it with post-modernism and/or identity politics is not to dismiss capitalist triumphalism, but to evade it – to retreat, in fact, to the safety of the old barricades and throw stones at capitalism like some intellectual intifada. Worse, it is to imply that there is no alternative (TINA) to 'metro-

politan' working-class struggle and 'metropolitan' working-class organisation – and that the exploited and immiserated workers and peasants of the Third World are no match for a marauding, globalising capitalism.

How did this lot get into this predicament? Mostly, because of a top-down analysis, from capitalism and its inherent weaknesses to renewed opportunities and possibilities for working-class struggle, not from observing the lack of struggle, movement, organisation all around us and asking why. Why is capital so strong? Why is the working class so weak? What has brought about the not inconsiderable changes in their relationship? What are their consequences? Whom does this resurgent capitalism hit hardest? Where are exploitation and ecological devastation at their most unbearable? Are the new forces of resistance, if not of revolution, to be found here? Whom has capital got on its side, and what are the sites of struggle? These are random questions, but the point of them is to find out where we are at in relation to capital, not where capital is at in relation to itself, and to take us away from

- maintaining that the industrial working class is still the chief agent of resistance to capitalism – without examining its present weaknesses and strengths;
- raising every little strike in Europe and the US to the level of insurrection and thereby transferring the burden of protest to the working class alone;

- ignoring the plight and fight of Third World workers who, under globalisation, bear the brunt of exploitation;
- ignoring the 'new' imperialism of globalism;
- ignoring the erosion of civil society and local democracy by nation states in cahoots with transnational corporations (TNCs);
- overlooking the possibility of new political and cultural forces opening out to an understanding of capital and a consciousness of class.

The second lot believe that, given that capital needs less and less (living) labour and, without such labour, there is no surplus value, capitalism will die of its own contradictions. According to Ramtin, for instance, 'the heightening of the inherent contradictions' between a 'social system of productive relations based on value and accumulation (that is, based on the exploitation of wage labour)' and an 'automation/information technology' which spells 'the displacement of living labour' drives the system towards 'its own negation – that is, the breakdown of capitalism'.<sup>3</sup> More succinctly: 'at a certain stage the quantitative displacement of living labour generates a qualitative break in the organisation and structure of capital production'.<sup>4</sup>

**Marxism is the only  
mode of (social)  
investigation in which  
the solution is  
immanent in the  
analysis**

What both these 'schools' have in common, though, is an unthinking adherence to theories and concepts that belonged principally to the industrial period of capitalism that Marx was writing in and about. And, although some of those findings still hold good today, Marx himself would require us to re-examine them in the light of the massive changes that have taken place at the level of the productive forces since his time, and throw away what is not applicable – creating in the process a Marxism relevant to our times. In the final analysis, the Marxist method of analysis always remains.

Marxism is a way of understanding, of interpreting the world, in order to change it. It is the only mode of (social) investigation in which the solution is immanent in the analysis. No other mode holds out that possibility. That is what is unique about Marxism. But, for such analysis to be current and up-to-date and yielding of solutions to contemporary problems, it must be prepared to abandon comforting orthodoxies and time-bound dogma. It must dare to catch history on the wing, as Marx did. For Marxism, as Braverman points out, 'is not merely an exercise in satisfying intellectual curiosity, nor an academic pursuit, but a theory of revolution and thus a tool of combat'.<sup>5</sup> It is to that task that we have to address ourselves afresh, under changed circumstances, testing Marx himself on the touchstone of his method, based as it is on an

examination of the forces of production at any given time, the social relations of production emanating from them and the dialectical relationship between the two.<sup>6</sup>

Quite clearly, the technological revolution of the past three decades has resulted in a qualitative leap in the productive forces to the point where capital is no longer dependent on labour in the same way as before, to the same extent as before, in the same quantities as before and in the same place as before. Its assembly lines are global, its plant is movable, its workforce is flexible. It can produce ad hoc, just-in-time, and custom-build mass production, without stockpiling or wastage, laying off labour as and when it pleases. And, instead of importing cheap labour, it can move to the labour pools of the Third World, where labour is captive and plentiful – and move from one labour pool to another, extracting maximum surplus value from each, abandoning each when done.

All of which means, if it still bears repeating,<sup>7</sup> that the relations of production between capital and labour have changed so fundamentally that labour (in the developed capitalist world) has lost a great deal of its economic clout and, with it, its political clout. And that, in turn, gives a further fillip to technological innovation, and imbues capital with an arrogance of power that it has seldom enjoyed since the era of primitive accumulation. Which is more the reason why it is necessary to at least entertain the notion, anathema to western-centric Marxists, that as 'the centre of gravity of exploitation of labour by capital...has been displaced from the centre of the system to its periphery',<sup>8</sup> so too the class struggle might have moved from the developed capitalist countries to the underdeveloped Third World – and there, where capital is at its rawest and most extravagant, the struggle may not be just class but mass.

It is immaterial in such a context whether 'foreign direct investment is overwhelmingly concentrated in advanced capitalist countries, with capital moving from one such country to another'.<sup>9</sup> (Why shouldn't it be – since the return is greater in the skilled, high-technology end of production, and surplus value is greater at the unskilled labour intensive end of production.) The point is that, irrespective of the size of investment, the surplus value that capital makes on the backs of Third World workers (women and children and all) is well-nigh absolute,<sup>10</sup> and casts them into the lower depths of drug-pushing, prostitution and child slavery.

Besides, the 'conditionalities' attached to such investment – the abrogation of trade union rights, strong (meaning authoritarian) government, tax concessions, profit repatriation and other financial inducements – spell the further weakening of working-class organisation, the erosion of civil rights and the spread of privatisation.<sup>11</sup> Not satisfied, however, with the existing return on its investment,

multinational capital, under the aegis of the Organisation for Economic Co-operation and Development (OECD),<sup>12</sup> is now rail-roading Third World governments into a Multilateral Agreement on Investment (MAI), which takes away their right to put any sort of restrictions on foreign investment, however damaging to the national interest.

It is immaterial, too, that, as at the early 1990s, 'over 80 per cent of world trade was conducted between the "western" members of the OECD'.<sup>13</sup> The point is that such trade 'continues the pattern of unequal exchange as a mechanism for the reproduction of global inequalities'.<sup>14</sup> Nor does it matter whether these corporations are called multinational or transnational, another 'Left' quibble. The point is that businesses are in the business of government and governments are in the business of businesses and, together, they are killing off whole populations. And, in any case, multinational corporations mutate into transnational corporations as the cancer of globalism spreads.<sup>15</sup> What we should be doing is not arguing the toss, but setting our minds and bending our will to combating them.

To do that, however, we should not be afraid to acknowledge (despite accusations of economic determinism and threats of excommunication) that the technological revolution has given virtual primacy to information as the chief economic resource, freeing capital from the exigencies of labour and allowing it to roam all over the globe (in terms of production, trade, investment, currency speculation) on the back of free-market economics and neo-liberal ideology, with the state as its instrument and democracy its price. Nor should we underestimate the forces arrayed on the side of corporate capital – the state, the market, the polity, neo-liberal ideology – and the degree to which they act in concert. Which is not to say that the whole edifice is not fraught with contradictions, but to say that they have to be discovered anew in their current loci and strengths and fought accordingly, with different tactics and strategies and forces.

**businesses are in the  
business of government  
and governments are in  
the business of  
businesses**

\* \* \*

The state (in the developed countries) is still the seat of national capital but it is now the agent of international capital as well. Both capitals need the intervention of the state to avail themselves of unfettered markets.<sup>16</sup> Within its own national boundaries, the state provides for such an outcome chiefly through the removal of rules and regulations that in any way hinder the free play of market forces, and the privatisation not only of public utilities but of a large part of the infrastructure as well. And this, irrespective of which party is in power – for only the style changes with the government. In Britain, the Tories do it the confrontational, up-front, openly anti-working-class way, as behoves the natural party of

capital. Whereas Labour or, rather, New Labour does it through the politics of consensus, persuading a weakened working class that it is in its own best interests to put whatever power it has left into the safe-keeping of the natural party of labour. For such a politics to be viable, however, it must not only appear to occupy the middle ground between capital and labour, but also win over an aspiring middle Britain to its policies and programmes. The point is to look liberal, while calling yourself labour and working for capital – and that way you belong to all of them, to all the people, to Britannia. That's the New Labour way, the Clinton way, the Third Way.<sup>17</sup>

What the Tories called privatisation, New Labour calls partnership. Where the Tories had a whole lexicon of market-speak to enumerate their project: purchasers and providers, consumers and customers, New Labour has one: partners. Thus, bringing in Shell, Tate & Lyle, McDonalds to co-fund education; PFIs (private finance initiatives) to build roads, hospitals and schools; Railtrack, Virgin and Stagecoach to run public transport; Securicor, Group 4 and American-UK consortiums to run prisons, and a

host of other such New Labour schemes involving the public sector, no longer comes under the rubric of privatisation but partnership.

And it is that sense of partnership, presumably, that elsewhere gets translated into the appointment of uncritical New Labour supporters to critical government positions. So that where the Tories had set up quangos to put their stooges in, New Labour simply has place-men and women, in a more direct sort of privatisation of government.

The politics of consensus also calls for presentation, imaging – of policies, programmes, personnel. It requires that the government sells itself to the people. That, in turn, needs the support of the mass media and an ability to manipulate news so as to present the government in an unfailingly favourable light. Hence New Labour's cultivation of image-makers like media baron Rupert Murdoch, and the nurturing of myth-makers, spin-doctors, in an aptly named Strategic Communications Unit. Murdoch, in return, makes certain that the government remains friendly to capital and true to its neo-liberal remit.

It is all of a piece – deregulation, privatisation, the move from social welfare to social control, the erosion of civil society and the propagation of neo-liberal ideology, not least through the relations of the market itself – and they all require the intervention of the state to one degree or another. (The result is the polarisation of society into the haves and the have-nots, with the poorest third replicating the Third World in the First.)

It is that same pattern that is being reproduced throughout the world by the imperatives of global capitalism, mostly with the help of western

nation states, but gradually transcending them. But where such capitalist penetration is at its crudest and most devastating is in those countries of the Third World which are still trying to get out of the morass of debt and dependency inflicted on them by neo-colonialism. There, not even the governments are their own any more, nor the national bourgeoisies which, in the era of import substitution and nationalisation, were still warding off the intrusion of foreign capital. Now, under the impact of globalisation, the national bourgeoisie has become an organic part of the international bourgeoisie and the government is either ordained and/or kept *in situ* by western powers to further the interests of transnational capital. And to make those interests concrete, they have set up a whole host of supranational and transnational institutions, organisations and programmes.

Some of these like the World Bank (WB) and the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) were already there, ostensibly to help developing countries with aid and trade and balance of payments problems, but have since shaped themselves to follow the dictates of capitalist expansion and become the purveyors of globalism. Thus the WB and IMF changed tack in the 1980s, in the middle of a Third World debt crisis, to insist that debtor countries institute Structural Adjustment Programmes (SAPs) which would redirect government finances from public spending to debt-servicing – thereby dismantling the public sector and bringing in deregulation, liberalisation and privatisation. ‘State industries were sold off; public services were “contracted out”; development projects “franchised” to private companies; social spending slashed; user charges for basic services introduced or increased; markets “deregulated”’,<sup>18</sup> so paving the way for transnational capital while structuring poverty into the very fabric of Third World societies.

Nor is there an out through trade. For, although GATT was supposed to liberalise trade through the removal of quotas and tariffs among its hundred-odd members, in the event the ‘liberalisation’ was all in one direction: South to North. A number of ‘side agreements’, for instance, ensured that the richer countries retained the right to exclude textiles and agricultural products from the GATT remit, the two areas that affected Third World countries most. Thus a series of Multi-Fibre Agreements allowed the developed countries to impose quotas on the Third World for hundreds of categories of textiles and clothing, extending the range of countries and categories with each such agreement – so removing what ‘for many Third World countries is the first step in the ladder to industrial development, just as it was for Britain’.<sup>19</sup> And in the matter of agricultural products, prohibitive tariffs imposed on processed goods made sure that (Third World) produce such as oil, fruit, coffee, tea, cotton, etc. went out in its raw state, to be processed by the food corporations in the North and sold back to the South!

These trends in liberalisation, which privileged the North at the expense of the South, were enshrined and carried further in the Uruguay Round of GATT in 1994. Thus, all Third World countries except 'the least developed' (or the most hungry? and therefore 'unworkable') were forbidden to impose import duties on foodstuffs, thereby opening up lucrative new markets for subsidised US and European wheat and killing off locally produced food such as rice, grain, cassava, etc. (along with the local farmer).

Similarly, northern agribusiness and pharmaceutical companies were allowed to patent products and processes based on genetic material derived from Third World crops and wild plants and sell them back to the Third World, while Third World countries were forbidden to develop their own local equivalent of western products on the grounds of technological 'piracy'. For instance, drugs like Zantac, widely used in India for the treatment of ulcers, and produced locally for local use, are now subject to royalties imposed by the corporations holding the patent. It was no accident, then, that the 'agreement' on Trade-related Intellectual Property Rights (TRIPs) should have been instigated by the US-based Intellectual Property Coalition (IBM, DuPont, General Motors et al) and European agro-chemical giants (such as Unilever, Hoechst and Ciba-Geigy) – and should include in its remit trademark goods (designer and brand products), copyright goods (artistic material including software) and patent goods (industrial processes and their products).

To make sure that member nations played by GATT Rules 1994 on pain of punitive trade sanctions, a supranational enforcement agency, the World Trade Organisation (WTO), was created. But specific exemptions from the measures imposed by the WTO on all other members were afforded the free trade areas around the dominant capitalist countries: the European Union (EU), the North America Free Trade Area (NAFTA) and the Asia-Pacific Economic Co-operation forum (APEC). GATT, in effect, had, in Alan Freeman's words, 'been transformed from an ineffectual chamber of commerce into a powerful device for restructuring the world market and the commercial and financial interests of the leading powers'<sup>20</sup> and, one might add, their principals, the transnational corporations. Continues Freeman, 'the control of trade [the WTO] has emerged from the entrails of the world market to claim its place, alongside financial blackmail [the IMF] and debt-slavery [the WB] as a primary instrument of advanced country domination'.<sup>21</sup>

Soon there is to be an OECD-inspired Multilateral Agreement on Investment (MAI), ostensibly to level the playing field between domestic and foreign investors by preventing national governments from discriminating against foreign companies. But since it is the poorer countries of the South that need foreign investment most – and they are



being told that they will not get investment if they do not sign the MAI – it is they who will be the most vulnerable to the demands of transnational capital. And these would include the waiving of rules that restrict investment in, for example, land, agriculture, natural resources, cultural industries, highly polluting industries and toxic waste dumps. Governments and local authorities would not even be allowed to screen the investment to see whether it would be damaging to the country's environment or its people.<sup>22</sup> If, on the other hand, a government or local authority breaks its agreement, it can be sued in an international tribunal of trade experts, working behind closed doors, beyond public scrutiny.<sup>23</sup> In effect, TNCs will have new and astonishing powers over elected authorities.

Talks on the MAI, which have been going on in secret for over three years, have stalled for the moment,<sup>24</sup> but, with aid from the richer countries dropping off and the 'conditionalities' imposed by the IMF and WB becoming more burdensome, the poorer nations have little choice but to give in to the MAI and governance by TNCs.

But, then, Third World nation states, born of disorganic colonial capitalism,<sup>25</sup> have never been able to call their nations their own, except for brief periods following independence and/or bouts of revolutionary activity.<sup>26</sup> For a time, though, they had a choice between state capitalism and market capitalism. Strangely, it was those countries which chose a combination of the two (to add to their own 'family capitalism'), that succeeded in becoming prosperous 'tiger economies', though that prosperity never 'trickled down' to the masses. But even the 'tigers', while standing up to the old style neo-colonialism of the western powers, are unable to withstand the encroachments of transnational capital. If they are to continue with a capitalist system, they, like the rest of the Third World, have no option but to become active collaborators in globalism and the undisguised enemies of their people.

**Third World nation states, born of disorganic colonial capitalism, have never been able to call their nations their own**

Now the nation cannot call the state its own. Whatever the form of government in the Third World – dictatorship, electoral democracy or some sort of parliamentary authoritarianism – the state is in hock to TNCs and their agencies. There is not one area of a country's state or civic structure that has not been altered to provide for the free play of global capital. The western powers had already paved the way by setting up and/or maintaining Third World regimes which would open up land and labour to foreign capital in deregulated Free Trade Zones (FTZs), the colony within the neo-colony. The IMF and WB followed suit with development programmes that extended deregulation beyond the FTZs to the whole of the labour market and carried privatisation into the very

heart of the public sector, so that TNCs or their local satraps not only came to control the public utilities but to determine the social and welfare infrastructure as well. GATT, NAFTA, CARICOM, APEC and a whole array of unequal treaties, ending up in the writing in of that inequality into the rules of the WTO, put the final touches by handing over what was left of a country's natural resources, markets and trade to the TNCs.

Today, there is not even the seedling vestige of an independent economic life. Agriculture has ceded to agribusiness, food production to the production of cash crops, staple foods like rice to cheap foreign imports like wheat (with biotech firms like Rice Tec Inc. threatening to replace even that with their brand of genetically engineered Basmati rice: Texmati). Education, the staple diet of Third World countries'

***Religion, which began as 'the sigh of the oppressed', now takes on the force of fundamentalist ideology***

economic and social mobility, has been priced out of the reach of the poor to produce an elite which owes allegiance not to its own people but to 'opportunities in the West'. The farmers have no land, the workers have no work, the young have no future, the people have no food. The state belongs to the rich, the rich belong to international capital, the intelligentsia aspire to

both. Only religion offers hope; only rebellion, release. Hence the insurrection when it comes is not class but mass, sometimes religious, sometimes secular, often both, but always against the state and its imperial masters.

But there is no socialist ideology to give it direction, no organic intellectuals to plan its strategies. Hence the rebellions in Zaire, Indonesia, Nigeria end up by bringing back another version of the same old regimes – the second time as farce. And religion, which began as 'the sigh of the oppressed', now takes on the force of fundamentalist ideology.

Globalisation, in sum, throws up its own contradictions or, rather, it arranges old contradictions differently,<sup>27</sup> and moves the site of struggle against capital from the economic to the political – from the fight against capital and, therefore, the state, to the fight against the state and, therefore, capital, or, rather, the state-in-capital. So that even the economic struggles of the working class have now to be fought on the political terrain: the fight for the right to fight for wages antedates the fight for wages. For the free market destroys workers' rights, suppresses civil liberties and neuters democracy till all that is left is the vote. It dismantles the public sector, privatises the infrastructure and determines social need. It free-floats the currency and turns money itself into a commodity subject to speculation, so influencing fiscal policy. It controls inflation at the cost of employment. It creates immense prosperity at the cost of untold poverty. It violates the earth, contaminates

the air and turns even water to profit. And it throws up a political culture based on greed and self-aggrandisement and sycophancy, reducing personal relationships to a cash nexus (conducted in the language of the bazaar) even as it elevates consumerism to the height of Cartesian philosophy: 'I shop, therefore I am'. A free market presages an unfree people.

For its part, the state, by refusing to interfere with market forces (as in the developed countries) or being unable to do so (as in the developing countries) gives up all pretence of ameliorating the excesses of capital and becomes its accomplice instead. The state now represents capital and nothing else. But as capital goes transnational and the market global, the relationship of the state to capital becomes more varied: sometimes partner (of national capital) sometimes agent (of multinational corporations), but increasingly a tool (of transnational corporations) – not transparently so, but through the international agencies such as the EU, APEC, G7, NAFTA, CARICOM, GATT, WTO, etc. which it helps to set up, in some small surrender of sovereignty, to set capital free.

All of which requires governments that do not change basic free market policy, whatever their hue. And government not so much by consent<sup>28</sup> as by consensus (if not coercion). Consent is given, consensus manufactured. Consent engages the whole electorate, consensus involves only a majority. Consent politicises, consensus dumbs-down. And coercion is reserved for that third of society that Information Capitalism and the market have consigned to the underclass as surplus to needs.<sup>29</sup> Governments owe their position and their power not to the voters but to media moguls, business conglomerates, owners of the means of communication who massage the votes and manipulate the voters.<sup>30</sup> Those who own the media own the votes that 'own' the government. The polity is a reflection of the market.

***The polity is  
a reflection of  
the market***

Hence, there is a whole plethora of struggles going on both in the North and the South which are not necessarily working-class struggles against capital as such, but resistances to the political project of the global market – call it neo-liberalism if you like – as it impacts on people's lives and livelihoods. In the developed countries, political power is diffused and mediated, and dissidence centres around specific issues. Resistance, therefore, takes on the form of protests and demonstrations and direct action politics – over the opening of a motorway through the green belt, say, or the closing of a local hospital or the destruction of civic amenities by property speculators or the growing of genetically-modified crops by food speculators. Although, at the outset, such resistances tend to be ad hoc, sporadic and disconnected, they form the basis of the alliances and larger resistances that follow – as, for instance, over the poll tax when thousands of people

from diverse campaigns found common cause against an unjust tax and marched through London – and had the tax rescinded, thereby removing a central plank of the Thatcherite project. And as transnational corporations continue under New Labour, too, to integrate vertically and horizontally and every which way into a privatised network of power, direct action campaigns are themselves integrating issues and becoming international – as, for instance, in the battle against Shell by ecological groups over the North Sea and the (anti-colonial) Ogoni people in Nigeria.

In the Third World, political power is concentrated in the hands of a few and is naked, and dissidence solidifies around basic needs. Hence, resistances in the periphery take the form of spontaneous uprisings and/or mass rebellions spurred on by indigenous movements sometimes, and sometimes by peasant and worker struggles.<sup>31</sup> But, as in the North, these struggles too tend to develop an international dimension, if still only at the level of pressure groups and conferences and the occasional demonstration – as when at the 1998 Ministerial Conference of GATT/WTO in Geneva, attended by Clinton, Blair and Castro among others, an estimated 10,000 demonstrators from various parts of the world took to the streets under the banner of People's Global Action to denounce free trade and liberalisation.<sup>32</sup> At the same time, elsewhere in Geneva, an alternative conference of NGOs from Asia, Africa and Latin America (but not the North) – entitled People's Global Action Against Free Trade and the World Trade Organisation, and convened by such groups as Movimento Sem Terra in Brazil, the Karnataka State Farmers' Association of India, the Movement for the Survival of Ogoni People, Nigeria, the Peasant Movement of the Philippines, the Central Sandinista de Trabajadores, Nicaragua and the Indigenous Women's Network based in North America and the Pacific – put out a manifesto calling for direct confrontation with TNCs and an end to globalisation.<sup>33</sup>

As yet, though, these struggles, whether in the First World or the Third, do not, like those of the industrial working class, take on capitalism head-on. But then, the working class has direct, first-hand experience of capital in the workplace, and sees it naked and unadorned. Increasingly, though, capital comes mediated through the market, and what people react to is the experience of the market as it impacts, differentially, on their lives. But because a pervasive market pervades all aspects of life – economic, political, social, cultural, ecological – it also tends to bring together the issues thrown up by them. People do not compartmentalise themselves into economic, social, ecological, etc. beings. And the market, by reducing all human activity to the binary of buying and selling, writes in, and at once, economic exploitation, cultural hegemony and political consensus – and throws up a value system which further enhances it. Everything and everyone has a price,

the individual is more important than society (indeed, 'there is no such thing as society'), businessmen know what people really need and are better fitted to run things like public utilities, schools, housing, etc. (that is why they are paid more), unemployment is the waste product of an efficient economy, lucre is no longer even marginally filth but the soul of 'man' under capitalism.

Hence, as the struggles against the market in its various guises grow and come together and fall apart and rise again in different configurations, the consciousness also grows that capitalism is the moving force behind it all, and the market only the expression of capital in its globalist epoch. But to make that consciousness material and direct it against capital, we need a socialism that speaks to it in terms of globalisation and the free market experience and not just in terms of the factory and working-class struggle. We need a socialism that, in proclaiming 'the subordination of the economy to society' (as opposed to the market philosophy which subordinates society to the economy), throws up a political culture that reverses the values of the market and establishes instead the worth and dignity of human life. We need a socialism that puts politics in command.

**We need an  
insurgent intelligentsia  
in the engine rooms  
of Information  
Capitalism**

And we need organic intellectuals who will 'forge the links between "theory" and "ideology", creating a two-way passage between political analysis and popular experience'.<sup>34</sup> We need an insurgent intelligentsia in the engine rooms of Information Capitalism. We need to 'wrest a utopia from technology'.<sup>35</sup>

## References

I owe not a little to my discussions with Neil Lazarus.

- 1 I refer, of course, to what remains of the Marxist Left. There is no other Left worth speaking of.
- 2 See Ellen Meiksins Wood, William Tabb et al. in *Monthly Review* (Vol. 48, no. 3, 1996; Vol. 48, no. 9, 1997; Vol. 49, no. 2, 1997; Vol. 49, no. 3, 1997; Vol. 49, no. 8, 1998).
- 3 Ramin Ramtin, 'A Note on Automation and Alienation' in *Cutting Edge: Technology, Information, Capitalism and Social Revolution*, edited by Jim Davis et al. (London, Verso, 1997).
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- 5 Harry Braverman, 'Two Comments', in *Technology, the Labor Process and the Working Class* (Monthly Review Special, Vol. 28, no. 3, 1976).
- 6 I have been accused of technological determinism by Ellen Meiksins Wood (*Monthly Review*, Vol. 48, no. 9, 1997) for saying that if 'the handmill gives you society with the feudal lord and the steam-mill gives you society with the industrial capitalist', the microchip gives you society with the global capitalist. But I was no more technologically determinist than Marx and, if his was an aphorism, as Braverman says,

## 18 *Race & Class*

I was only bringing it up to date – and aphorisms boast no determinacy.

- 7 See A. Sivanandan, 'Imperialism in the Silicon Age' in *Monthly Review* (Vol. 32, no. 3, 1980); 'New Circuits of Imperialism' in *Communities of Resistance* (London, Verso, 1990) and 'Heresies and Prophecies: the social and political fallout of the technological revolution' in *Cutting Edge*, op. cit.
- 8 Samir Amin, *Imperialism and Unequal Development* (New York, Monthly Review, 1977). Note that this point was made by Amin, myself and other Third World analysts over twenty years ago.
- 9 Ellen Meiksins Wood, 'Labour, the state and class struggle' in *Monthly Review* (Vol. 49, no. 3, 1997).
- 10 According to Ernst and Young, workers in Vietnam making shoes for Nike are paid an average US\$45 for working 267 hours, which is around 17c. an hour. (Ernst and Young, report for Nike, 1997, <http://www.corpwatch.org/>). According to Martin and Schumann, Siemens in Malaysia keeps its imported Indonesian women workers locked up at night in the factory's own hostel. In Indonesia, two women trade-unionists were killed and their mutilated bodies dumped on the rubbish tip of the factories where they had tried to organise a strike. (See Hans-Peter Martin and Harald Schumann, *The Global Trap* (London, Zed, 1997)).
- 11 'Something like 20 to 30 per cent of foreign investment in the third world in recent years', observes Magdoff, 'has been used to buy up private infrastructures.' (See *Monthly Review*, Vol. 49, no. 8, 1998).
- 12 The Organisation for Economic Co-operation and Development is made up of twenty-nine of the world's richest countries in which 477 of the world's largest corporations are based.
- 13 Barrie Axford, *The Global System: economics, politics and culture* (Oxford, Polity, 1995).
- 14 Also Barrie Axford – in the same paragraph!
- 15 UNCTAD reports that in 1995 there were some 40,000 companies with headquarters in more than three countries and that two-thirds of world trade was carried out by transnational corporations. (UNCTAD, *World Investment Report 1995* (New York, 1995)).  
The share of world GDP controlled by TNCs has grown from 17 per cent in the mid-'60s to 24 per cent in 1984 and almost 33 per cent in 1995... Continuous mergers and take-overs have created a situation in which almost every sector of the global economy is controlled by a handful of TNCs, the most recent being the services and pharmaceuticals sectors.' (Olivier Hoedeman et al, 'MAlgalomania: the new corporate agenda', *The Ecologist* (Vol. 28, no. 3, May/June 1998)).
- 16 There are, in fact, four inter-related markets – in goods, capital, labour and currency. See Bertell Ollman, 'Market mystification in capitalist and market socialist societies' in Bertell Ollman, ed., *Market Socialism* (London, Routledge, 1998).
- 17 'This dynamic idea-based global economy offers the possibility of lifting billions of people into a world-wide middle class.' Bill Clinton. Speech to the World Trade Organisation, 18 May 1998, *Guardian* (20 May 1998).  
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- 18 The CornerHouse, *The Myth of the Minimalist State* (Briefing 5, March 1998).
- 19 Kevin Watkins, 'GATT and the Third World: fixing the rules' in *The New Conquistadors* (*Race & Class*, Vol. 34, no. 1, 1992).
- 20 Alan Freeman 'GATT and the World Trade Organisation', *Labour Focus on Eastern Europe* (No. 59, Spring 1998).
- 21 Ibid.
- 22 See *World Development Movement, A Dangerous Leap in the Dark: implications of the Multilateral Agreement on Investment* (Briefing Paper, November 1997).
- 23 Olivier Hoedeman, op. cit.
- 24 Stalled not only because of the fight being put up by the NGOs, but also because the

- rich countries may not get the exemptions they want if they too are not to be overruled by transnational corporations. Hence the proposal to move MAI negotiations to the more established venue of the WTO.
- 25 See A. Sivanandan, *Imperialism in the Silicon Age*, op. cit.
  - 26 'We've become a state without a country', was how a Mozambican radical put it. Quoted in Victoria Brittain, 'Africa: a political audit' in *The New Conquistadors*, op. cit.
  - 27 For the market, as Bertell Ollman shows, overlays the relations of production with the relations of consumption. (Ollman, op. cit.)
  - 28 Consent is here used in its dictionary definition and not in its Gramscian sense – since the market is today the prime site of cultural hegemony.
  - 29 Will Hutton calls it 'the thirty, thirty, forty society' where thirty per cent are 'the absolutely disadvantaged'. Will Hutton, *The State We're In* (London, Cape, 1995).
  - 30 Proportional representation is being held out as a countervailing force. But although PR does give minority parties a voice, it does not in the outcome produce radical policies, only compromises, thereby writing consensus into the 'constitution'.
  - 31 In India recently, farmers burnt imported foodstuffs in protest against an increase in food imports. John Madeley, *Globalisation under attack... or not* (London, Panos, 30 April 1998).
  - 32 Martin Khor, *WTO party marred by anti-globalisation protests* (Malaysia, Third World Network Features, 1998).
  - 33 John Madeley, op. cit.
  - 34 Terry Eagleton, *Ideology* (London, Verso, 1991). See also A. Sivanandan, 'La trahison des clercs', *New Statesman* (14 July 1995).
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# Globalisation and the technological transformation of capitalism

Lenin, in his 1916 essay on imperialism argued that it was the domination of finance capital over the export of commodities that constituted one of the major features of the new age. Lenin saw imperialism as a new epoch changing the face of the world – a system qualitatively different from the early Dutch and Genoese banking houses of mercantile capitalism.

Today, we are faced with a similar epochal change. No longer bound by its national adolescence, capitalism is following its logical extension in the creation of one world market. Just as colonialism was the foreign extension of mercantile capitalism and imperialism the highest stage of industrial capitalism, globalisation characterises information capitalism. This expansion, propelled by the technological revolution, has fundamental differences with the international financial markets that characterised imperialism from 1860 to the second world war. As A. Sivanandan has observed:

the qualitative changes brought about at the level of the forces of production have brought about changes in the mode of production which, in turn, have led to changes in social relations. If 'the handmill gives you society with the feudal lord and the steam-mill gives you society with the industrial capitalist', the microchip gives you society with the global capitalist.<sup>1</sup>

Industrial capitalism gave birth to the modern nation state, its economic form is historically bound to its political structure and the

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*Race & Class*, 40, 2/3 (1998/99)

social relations it created. Today, globalisation functions in a manner which undermines the nation state from which it originates. This is the essential difference between second wave imperialism and third wave globalisation. The speed and carrying capacity of digital telecommunications has allowed capital to escape national control. Changes are occurring in the mode of production and the way in which wealth is created; in a new international legal superstructure; in the redefinition of sovereignty and state control of the economy; in the restructuring of the world labour force and its social entitlements, and in a new ideology of borderless free markets.

Not only does the information revolution affect the movement of capital, but also where production is carried out and how products are sold. The old slogan, 'What's good for General Motors, is good for the USA' can no longer be applied. That motto of the most powerful second wave corporation reflected an economic vision which sought to develop a stable middle class as a consumer base for a huge national economy. Corporate strategy was national strategy. Today's transnationals set their sights on a world market, national strategies are secondary.

This is how corporations have responded to the crisis of accumulation. As national markets became saturated and structural limits on real wage increases were reached, the technological revolution allowed capital to build a new global economy to escape its national restrictions. The ability to transfer money worldwide instantaneously led to such an explosion of financial speculative markets that a new structure is now being built to facilitate that qualitative change; while on the commodity side of the economy a market that targets 15 per cent of the world is replacing a broad-based, middle-class national strategy.

### **Wealth and the new forces of production**

The digital and electronic transfer of information via satellite, telecommunications, fax and modem has created an instantaneous and interconnected world of finance, unlike in previous times. The ability of these new means of production has propelled money into speculative activities unrelated to the production of useful commodities. Just as industrial technology directed money away from land and into the factory system, information technology has propelled investment away from manufacturing and into global speculation. This is an interconnected process, driven by the needs of accumulation combined with the capabilities of the new technology. We are in a world of twenty-four hour trading in which billions of dollars are sent around the globe for an eighteen cent phone connection. Speed in the movement of capital is an essential feature of the new economy. For example, software creating a ten second trading advantage has given Bankers Trust millions in profits.

Perhaps the most important tool for the new economy is what the *New York Times* called 'the computer system that is the heart of global capitalism', the Clearing House Interbank Payment System (CHIPS), which ties together 142 banks and does 150,000 transactions a day. The system is owned by eleven large New York banks and transfers \$2 billion a minute, or about a trillion a day – half of the electronic transfers in the world. The second largest electronic system is in Belgium, connecting 1,000 banks to SWIFT, the Society of Worldwide Interbank Financial Telecommunications. These are the new tools of production and transportation for international finance.

For an idea of just how big the financial markets are, take the following figures. The total value of financial assets traded in global markets in 1992 was \$35 trillion, twice the GDP of the twenty-three richest industrial countries. Daniel Singer points out that 'daily international transactions now exceed on an average the astronomical figure of one thousand billion dollars, that is to say more than the total gold and foreign currency reserves of all the members of the International Monetary Fund... Financial capital now reigns supreme'.<sup>2</sup> These assets have been growing at two and a half times the rate of GDP since 1980, and estimates put their value at \$83 trillion by the year 2000.

The biggest financial market is the exchange of foreign currency, the simple buying and selling of money. Exchange transactions are sixty times larger than world trade in manufactured goods, with some \$1.3 trillion a day rocketing through electronic space. In fact, five of every six dollars that move in the world economy travel via electronic transfer. The currency markets never close. Forty-five per cent of the activity occurs in Europe, 30 per cent in Asia, 15 per cent in the US, and the remaining 10 per cent spread out in Third World markets. This trading revolves through world time zones 24 hours a day, every day of the year.

The growth of stock markets has been worldwide. The \$13 trillion listed in integrated markets circulate the globe in seconds. New markets exist in Brazil, Argentina, Thailand, Taiwan, Russia and sixty-five other countries. There are now 350 types of futures contracts and 'any concentrated pile of money has become attractive to traders'.<sup>3</sup> Profits can even be made by selling off Third World debt. After collecting years of interest payments but still owning the principal, banks sell the remaining debt for half price to other banks who continue to collect interest. Some Third World governments seeking to escape debt will trade equity and stock in state-owned corporations. Most coveted by international financiers are assets in communications and financial services.

Information technology has so transformed banking and financial activity that, as Sassen contends, we 'lack an analytical vocabulary' properly to describe the changes.<sup>4</sup> Economist Felix Rohatyn gives a picture of this new production of wealth, describing people who 'buy

and sell blips on an electronic screen. They deal with people they never see, they talk to people on the phone in rooms that have no windows. They sit and look at screens. It's almost like modern warfare, where people sit in bunkers and look at screens and push buttons and things happen.<sup>5</sup> This is certainly a new type of worker in a new type of environment, creating a new type of value; value alienated from social production and based solely on information.

As Walter Wriston, former chief executive officer of Citibank points out, 'in the age of global banking, selling rapid information about money is the key to making money'.<sup>6</sup> Paper has no value in itself. In an electronic world the value of money is based on an exchange of information – information which, in turn, stems from an analysis rooted in the political bias and economic philosophy of several thousand transnational capitalists and money managers. Value grows or shrinks based on what governmental policies and economic activity they believe to be best for their money. Such money increasingly looks for quick results based on the ability to rapidly manipulate it through the new digital technologies. One dramatic example of this activity was the crash of the Mexican economy in 1994-5. The peso became overvalued, driven by financial speculation and the huge investments of international financiers. When these electronic capitalists decided to withdraw their billions (accomplished in less than three days), the decision was based on their analysis of Mexico's political stability. Their ideology did not allow of alternative solutions, such as the promotion of real, value-added activity based in manufacturing, the support of local businesses, the creation of jobs and the protection of homeowners. Bankers recovered their profits, but at the expense of millions who suffered a depression equal to that of the 1930s.

The Mexican crisis was just the warning shot for the crash of the Asian miracle. More than any other Third World region, the Pacific rim had ridden the wave of speculative investments and global integration. The huge influx of money greatly expanded export production, creating a crisis of speculative debt and overproduction.

One important element fuelling speculative activity was Japan's offer to sell the yen at 1-2 per cent interest rates during its long recession. Financial institutions were able to buy yens cheap, and then turn around to make loans to South Korea at 7 per cent. Better yet, money speculators could buy Thai currency where regulatory ceiling rates on interest were lifted and sailed ever upward.

Much of this money went to expand export manufacturing which eventually flooded the market with cheap competitive goods. As the Asian economies temporarily surged, the value of their currencies also grew. This attracted further investments into money markets and a building binge in real estate, much like the Savings and Loan debacle in the US. As debt grew and exports fell, international financiers realised

the miracle was about to turn sour and rushed to take out their money before it devalued. In Thailand, \$8 billion were withdrawn in just five hours. This is a miracle of a different type, the speed of speculative finance escaping via electronic pathways. The lightning speed crash deflated currency so suddenly that Thailand's market dropped 76 per cent and Malaysia's by 70 per cent.

The countries least affected by the crash are China and Vietnam because they suffer far less speculative involvement than their neighbours. China has now delayed plans to make its currency fully tradeable for ten years. The unconvertability of the yuan, and what western bankers see as the 'backward' aspects of the Chinese economy, have actually provided a safeguard against international electronic traders. In anticipation of a downturn of exports, the Chinese government is moving to shore up state banks, and make plans for a trillion dollar increase in public works projects.

Foreign currency transactions are so volatile that 66 per cent hold money for less than seven days, while only 1 per cent last as long as one year. The rapid fluctuations of exchange rates, affecting about \$8 trillion a week, now interpenetrate and affect investments in production. Bernard Lietaer, a former adviser to transnationals, argues that foreign exchange risk has become the priority concern of international business. As he explains:

if a German chemical company invests in a plant in India, it makes the investment in deutschmarks... If the value of the rupee then drops in terms of the deutschmark, the return of the original investment will drop as well. In short, the biggest risk of such investments is not whether Indians will buy the chemicals (market risk) or whether the Indian government will nationalise the plant (political risk), but the changes in the value of the currencies involved (foreign exchange risk).<sup>7</sup>

Currency speculation is so great that it has become a major factor in investment decisions and the health of the productive sector. Hence, globalisation is characterised by an interrelated crisis of both speculative finance and overproduction.

But who are the largest players in the international financial markets? No longer is it only the banks. Trillions of dollars are invested through financial houses, investment firms and insurance corporations. In 1980, Citibank was the largest bank in the world, twice the size of any other US bank. By 1992, it had dropped to twentieth among world banks. Of the ten largest banks today, eight are Japanese and two are French. By 1989, the thirteen biggest Japanese banks had five times the capitalised value of the largest fifty US banks. While this is a significant change in the centralisation of money, US investment firms have, in fact, outgrown most US banks.

Another huge pool for international investors is the bond market.

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Bonds are sold by governments seeking money to run their programmes. But bond debt creates political constraints on government policy. Bond ratings are tied to assumptions about what constitutes good economic policy. That translates into narrow market efficiencies in which unemployment becomes unimportant. This means conservative money managers can manipulate the bond market to brake social spending. Since social programmes are seen as inflationary, which devalues money, bond holders can dump their holdings, drive-up interest rates and slow economic growth. It's what Wriston likes to call 'asserting control over government, disciplining irresponsible policies and taking away free lunches'.<sup>8</sup> In the US, 45 per cent of all bonds are held by 1 per cent of the population and 17 per cent by foreign interests.

The technological revolution has also deeply affected global manufacturing and commodity production. Anything can be produced anywhere, and sold everywhere. Skills and jobs are transferred worldwide, with the production process itself fragmented between different countries. Of the 100 largest economies in the world, fifty are trans-nationals. While centralised control remains in the hands of a few, there has been a deconcentration of production away from the old industrial urban centres of the North. When new industrial factories are built in Mexico, Thailand or Indonesia, they don't look like Henry Ford's River Rouge in 1935. Many of these plants use the most up-to-date computerised production methods, increasing their profits both through low wages and technological advances in productivity. If faced with rising labour costs when workers organise, corporations will jump countries. Greater flexibility exists not only in moving money but also in moving manufacturing.

Ford's plant in Hermosillo, Mexico, has the best quality and production rates in North America. Hourly labour and benefit costs are \$2, compared to \$30 in Detroit. That translates into a boost of \$672 in profits per car. In Chihuahua, Mexico, Ford has built a state of the art factory with automated capital intensive machinery. Applications run at twelve for every available job. Training goes on at a local technical college, with graduates going directly to Ford. One department produces 1,200 cylinder blocks a shift with only sixteen workers. Workers are paid at half the wages of other Mexican auto workers and at two-thirds of the benefit level.

In the computer industry both high- and low-end jobs are done worldwide. Data processing centres are spread from Manila to Ireland and around the globe to the Bahamas. The time it takes to send work from New York to the Philippines differs only in seconds from an executive sending work to a secretarial pool downstairs. International data centres do everything from credit checks and library catalogues, to patient records and *Playboy* articles. At the high end of software writing there are new centres such as that in Bangalore, India, where universities

have produced 75,000 programmers, resulting in home-grown computer businesses which receive work from Motorola and IBM. These knowledge workers are as well educated as most American graduates, but are paid about \$4 an hour.

This global production is carried out by 100,000 transnational corporations (TNCs), the largest 350 of which have sales that equal one-third of the GNP of the industrialised countries. These corporations own more than 25 per cent of the world's stocks and assets; the top 100 TNCs have only half their assets in their country of origin.

### **The new relations of production**

Globalisation has resulted in a changing relationship between labour and capital. The deconcentration of manufacturing, coupled with its flexibility, has led to the weakening of unions and the strengthening of capital. Significant changes in work categories and labour stratification are occurring, along with growing permanent unemployment for masses of people. Within the capitalist class, there is a shift in power and wealth away from the national industrial barons to a new global bourgeoisie and information elite. As the economic base shifts and wealth is created in different ways than in industrialism, the changes shape new relationships between classes.

In the US, manufacturing jobs have shrunk from absorbing 33 per cent of the labour force in the 1950s to about 17 per cent today. Many of the jobs have been exported to a global labour force as technology has made the transfer of skills easier. In 1991, 50 per cent of all US exports and imports were within US corporations. Today, there are 175 manufacturing free enterprise zones in the world, employing 4 million workers, 2.6 million of whom are young women. For example, at one period in Indonesia, 12,000 mostly teenage girls were earning 82 cents a day, making shoes for Nike. Production cost per shoe averaged \$5.60 for a product selling at between \$75 to \$135 a pair. Michael Jordan makes \$20 million for his contract with Nike, while the workers earn a total of \$5 million a year. But the transfer of jobs has not been all one way. BMW went to South Carolina where it pays \$12 an hour, rather than the \$28 an hour it pays in Germany. The flow of jobs and capital is happening everywhere.

Within the US, productivity has risen in the industrial sector, with many areas using just half the workforce of the past. The productivity gains from robots and numerical control machines are most clearly seen in industry. For example, in the 1980s, Ford cut hours by 47 per cent, but gained in productivity by 57 per cent. New technologies have also been used to control the labour process. Just-in-time production, flexibility and lean production are all ways management has organised information technology to squeeze workers.

The two most important sectors of labour have become knowledge

workers and contingent labour. Knowledge workers are the single largest category of US workers, nearly 20 per cent of the total. In the words of Barnett and Cavanagh, 'the production, processing, and selling of information is the number-one growth industry in the world'.<sup>9</sup> But these workers span high-end designers to low-end data processors, and both are global. Ford Escort designers work from three different countries, linked to computers in Dearborn working with parts from ten different nations. Data processors input anywhere with work from everywhere.

The fastest growing type of work is that of part-time, temporary and home-work. This contingent category accounted for half of all new jobs between 1980-87. By 1995, 60 per cent of all new jobs were contingent, 60 per cent of all new jobs paid below \$20,000 a year and 18 per cent of the workforce on a 40 hour week made wages below the family poverty line. This type of labour force is being built to match the new capabilities of technology. As information speeds up, so does production and the market, calling for greater flexibility in order to exploit to the fullest the potential of the new tools. Thus the restructuring of the labour force into a more easily disposable pool of workers allows capital to respond more quickly to its own needs. The use of the technology is driven by the needs of accumulation; the technology does not drive the new organisation, it only makes it possible. But the possibilities are revolutionary, and this is what important sectors of the capitalist class have realised.

As the new work relations become global, new waves of immigrant workers seek jobs across borders. When capital goes global, so does labour. The number one export from Bangladesh and Jordan is labour. Jordan earned more from remittances from its migrant workers than from its total export of goods. In Los Angeles, 40 per cent of the population is foreign-born; New York reflects the same pattern. But not all of this is unskilled labour. Foreign-born students in the US account for 50 per cent of all maths, computer science and engineering graduates. About 40 per cent of all new patents in the computer field are from immigrant workers and in Silicon Valley almost half the workforce of many corporations is of foreign origin. There is global competition for intellectual capital, with the US leading the race.

As the world economy changes, global capitalists are pushing on and developing the process. The new global bourgeoisie represents two basic economic sectors, finance and the digital economy. The digital economy lies in computers, telecommunications, media, phone and the cable industries, and consists of those corporations taking the lead in conceiving, developing and producing the new tools of production, and those building its infrastructure. This diverse group of players includes corporations such as Intel, US Robotics, the Bells and Motorola. The shift in power is clearly seen in the changing positions of the manufacturing and information sectors: General Motors is valued at \$35 billion, while Microsoft is worth \$71 billion.



There is a complex struggle shaping up between the new and old centres of capital. Although the military-industrial complex has adopted, and depends on, new digital technology, the government spending, tax codes and legislation which protect it are coming under increasing fire. For example, political movements which attack immigrants are hotly opposed by Silicon Valley executives who want open access to world intellectual capital. Greater spending on education, retraining and the development of human capital is often counterposed to the huge military budget. Changing the tax codes which protect the markets of industries like auto and steel to a system which encourages investments in new technology is another point of conflict. All these issues are regularly covered in the growing array of magazines that speak for the digital economy.

The other major developing group is the global financial elite class. Digital technology has affected international finance more than any other economic sector. While the computer industry is producing value based in physical assets, much of the wealth in finance is alienated from actual physical products or useful social activity. Both sectors are driven by knowledge and information, but their effects on society are very different. This international bourgeoisie is very aware of itself. For example, Citibank made a list of 5,000 individuals whose net worth was \$100 million or more. The bank then proceeded to help the super-rich of the Third World get their money into banks in the US. Today there are 350 individuals worth a billion dollars or more, their wealth equal to the combined income of 45 per cent of the world's population.

The financial strategy of Citibank is worth some attention. Under the leadership of Walter Wriston and then John Reed, the bank has inaugurated some of the most important changes in world financial markets. Corporations now focus on the top 15 per cent of the world market, because the bottom 85 per cent of the world's people simply don't have enough money to be considered. In Reed's words, 'There are five billion people living on Earth. Probably 800 million live within societies that are "bankable".'<sup>10</sup>

Reed's ideas have strong sway. In a knowledge economy, education becomes the key point of access. To buy and use information products and to be part of the new economy depends on the level of education. In most parts of the world, class and access to good education are closely linked. As Reed observed, 'we made an important discovery that drove everything we did later...People's attitudes about finances are a function of how they're raised, their education and their values, not of their nationalities'.<sup>11</sup> Class, not nationalism is the unifying theme. A world divided between information rich and information poor.

This understanding drove Citibank's credit card strategy in the Third World. When Citibank looked at Asia, it saw 10 million people making \$30,000 or more – outside China and Japan. The best way to locate them

was simply through the phone book. Over 50 per cent of the world's population has never even made a phone call. Only the wealthy have phones and, of course, phone lines are a necessary tool of the new economy. So, in looking at markets in India, where computer use is growing at 25 per cent a year, Pei-yuan Chia, head of Citibank's global consumer operations, was able to say, 'Forget about 90 per cent of the people, and focus on the top 10 per cent. That's 80 million people'.<sup>12</sup> To sell credit cards in Indonesia, Citibank only targeted owners of TV satellite dishes.

While there has been a decentralisation of production, the globalised economy is producing greater concentrations of power. Sassen argues that this concentration involves 'top level financial, legal, accounting, managerial, executive, and planning functions'.<sup>13</sup> While many of these services are contracted out, they nevertheless take place in a handful of international cities such as New York, London, and Tokyo. 'The more globalized firms become, the more their central functions grow...in importance, in complexity and in number of transactions. The sometimes staggering figures involved in this worldwide dispersal demand extensive coordination and management at parent headquarters.'<sup>14</sup> The complex and centralised coordination of global markets is made possible by the speed and reach of information technology. These centralised functions have a territorial aspect, taking place in enclaves in world cities, both in the developed and the Third World. There are wired and affluent blocks in Manila, Mexico City and Shanghai, as well as Frankfurt, Paris and Los Angeles. Malaysia is planning to build the first fully wired capital city in a 250 square mile area that the government is calling the Multimedia Super Corridor. This same global process has brought Third World enclaves into the advanced centres. Vast stretches of New York and LA look like, feel like and have living conditions that parallel the poorer areas of the world.

### **Ideology and superstructure**

As the digital economy gains strength, it changes the relationship of capital to the state, creating a new legal structure and dominant ideology. Industrial imperialism has key differences with digital globalisation. Imperialism was tied to the national sovereignty and development of the state of its origin. A key aspect was the development of a broad middle class and a labour aristocracy. As the notorious British imperialist Cecil Rhodes observed:

I was in the east end of London yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'Bread, Bread', and on my way home I became more than ever convinced of the importance of imperialism...if you want to avoid civil war, you must become an imperialist.<sup>15</sup>

Nationalism, not globalisation, was the ideological context of imperialism. As imperialist countries conquered the world, they made their territorial possessions part of their own nations and closed international markets for their exclusive exploitation. It was this monopolisation that led to the first world war and Germany's attempt to redivide world markets.

Today's neo-liberal ruling ideology sees no national borders, only markets. The creation of jobs and a growing middle class is not an object of globalisation. International financiers could not care less about creating an inner-city middle class in Detroit or Chicago. The spreading waves of unemployment which helped spark the LA riots did not create the same fear of civil war as that which haunted Rhodes. Today's capitalists just sit at their computers and transfer their money elsewhere. The political response is not to create new jobs, but to throw people off welfare. The growing hostility to and criminalisation of the poor is a political reflection of a global bourgeoisie disconnected from national development. When the chairman of Dow, Carl Gerstacher dreamed of buying 'an island owned by no nation', he expressed the not-so-hidden desire of his class. In fact, international finance has made the Cayman Islands the fifth largest economy in the world.

Such changes are undercutting the idea of citizenship which arose with the building of second wave nation states. In the French revolution, democratic inclusion was born within this philosophy of national citizenship. The mass struggle to expand voting rights created some popular control over the nation's economic and political decisions. Entitlements extended citizenship to welfare, education, and health. All of these rights revolved around state mediation and guarantees.

But globalisation is reducing citizenship to an economic status, succinctly articulated in Margaret Thatcher's statement that there is no society, only individual men and women. We are now simply economic beings with no social existence, so the state has no social responsibility. Those with good jobs live in a nice community, with excellent schools, safe streets, polite police and politicians who return their calls. Those without jobs live in projects, with rundown schools, abusive police and politicians who make them the cause of every problem in society. One is a citizen, the other criminalised. This truncated citizenship goes hand in glove with the marginalised contingent work force and the changing relationship between capital and labour. But as the spectre of unemployment spreads, the legitimacy of government shrinks. If citizenship is only based on economic well-being, those outside that constricting circle become political outsiders moving to the right, the left, or into nihilistic rebellion.

Instead of 'one man one vote', globalisation is based on 'one dollar one vote'. The control of massive amounts of money creates an exclusive club that Sassen labels a 'cross-border economic electorate'.

It's a return to property-based voting rights, but on an international scale. This electorate has its own economic policy objectives which undercut social and productive investment. Although cloaking its ideology under the label of economic efficiency, its bias affects taxes, public spending, credit control, interest rates, exchange rates and income.

As a former IMF official stated, 'International capital is extremely powerful. Nobody can stand in front of it. The ability of financial markets to impose discipline on government policies... is nothing less than amazing.'<sup>16</sup> This is no surprise given the amount of money under the control of international investment funds. For example, three large firms based in San Francisco have at their disposal \$12 billion. Compare this to the US government's annual foreign aid budget of \$7.3 billion.

Wriston has become a major spokesperson for the global bourgeoisie, giving clear expression to its ideology. He explains electoral democracy as an international system where financiers take 'a vote on the soundness of each country's fiscal and monetary policies. This giant vote-counting machine conducts a running tally on what the world thinks of a government's diplomatic, fiscal and monetary policies and this opinion is immediately reflected in the value the market places on a country's currency'.<sup>17</sup> 'If your currency becomes worthless, the world knows about it very quickly. If your economic policies are lousy, the market will punish you instantly. I'm in favor of this kind of economic democracy.'<sup>18</sup>

Here we find a new definition of democracy which excludes 99.9 per cent of the world's people. Of course, Wriston likes to pretend that this international referendum reflects 'the collective wisdom of people all around the world'. But who are these people? According to Wriston, 'yuppies very interested in their ability to make a buck'.<sup>19</sup> Meet the new citizens of global democracy. As observed by David Korten in the *Nation*: 'A thin segment of the superrich at the very lip of the champagne glass has formed a stateless alliance that defines global interest as synonymous with the personal and corporate interests of its members'.

Wriston does not limit his thinking to the new economic democracy, but is also an astute observer of technology and its effects on sovereignty:

The increased velocity of money gives you a difference in kind – not just degree. It's like a piece of lead: you put it on your desk, it's a paperweight; you put it in a gun, it's a bullet. The huge volume and speed of the international financial markets has put a brake on the ability of sovereign governments to do a lot of things they used to do.<sup>20</sup>

How appropriate to see the global bourgeoisie as armed revolutionaries attacking the state. For Wriston, information technology is a weapon aimed at governments and people around the world. And his book title, *The Twilight of Sovereignty* underscores a key process of globalisation,

the weakening of nation-states and the redefinition of the role of government. As Sassen points out, 'global financial markets represent one of the most astounding aggregations of new rights and legitimacy...powers historically associated with nation-states'.<sup>21</sup> It is not only that stateless corporations are escaping taxes and national responsibilities, but that they have used states to create a new international structure of laws and legitimacy. Transnationals can have their cake and eat it too. At one and the same time they reduce their tax burden and demand cuts in social services, while using government to help penetrate new markets, keep labour and environmental costs low and subsidise their global activities. This is not the disappearance of states, but the redefinition of their role.

The hegemony of free market ideology has bestowed legitimacy on a whole range of new functions that were previously done by the nation-state. Corporations have always played a dominant role in the state apparatus to protect their national economic interests. But globalisation has transformed those interests and so state functions have been transformed to structure the new international economy. Sovereignty is being decentred to a transnational legal system and supranational world trade organisations. The state has been the chief tool of such implementation and, in the process, has altered itself.

The superstructure that regulates the explosion of new financial markets and global corporations consists of a number of important international institutions. These are the Administration of International Commercial Disputes, Chamber of Commerce in Paris, American Arbitration Association, London Court of International Commercial Arbitration and bond rating agencies, such as Moody's and Standard and Poor's. In addition, there are the agreements reached in NAFTA, GATT and the World Trade Organisation (WTO), while older institutions such as the World Bank and International Monetary Fund have extended their reach and affluence.

The crisis in Asia has been used by the IMF to push greater standardisation and unification of the codes and rules of the global market. This process is similar to the nation building stage of capitalism, when construction of unified national markets necessitated standard measures, money and a common legal structure. Along with the multi-billion dollar IMF loan come demands that the financial superstructure of Asia conform to the western framework. No longer is there to be an Asian model, but only common methods of banking and investments. International capitalism needs one world order, not dozens of different national regulations. Therefore the IMF's new, evolving role is to bring conformity to the emerging world market, with the final aim of creating a standardised market in a unified global system.

GATT is also pushing in this direction, with particular focus on key areas of the digital economy. The Uruguay Round eliminated barriers to

international banking, insurance, information and media services. At the same time, it moved to give greater protection to the intellectual property rights of global corporations, aiming to prevent the development of an independent technological base in the Third World. Meanwhile, NAFTA and the WTO are rapidly constructing a market that prevents national governments from passing any laws that help local companies compete with transnationals. Under these changes, both financial and manufacturing sectors will be less responsive to local needs and tied ever closer to global markets. The grinding down of labour and environmental standards is also part of the package.

Globalisation has trapped the Third World in an intricate web of economic relationships as a response to the tide of independence which swept through the developing world after the second world war. As the old colonies achieved political freedom from the territorial domination of imperialism, they sought to develop independent national economies through import substitution and South to South trade ties. The new era of global capital hegemony has been achieved through the huge influx of money, the threat of its rapid removal, debt, the flexibility of international production and the new rules and regulations built to sanction and house these relations of domination. The key to the new system is its flexibility, mobility, and speed rather than its territorial control, stability and dedicated exploitation of any one particular people.

### **Conclusion**

In the *Nation*, Jerry Mander opened a series of articles on globalisation with these words: 'Economic globalisation involves arguably the most fundamental redesign and centralisation of the planet's political and economic arrangements since the Industrial Revolution.'<sup>22</sup> This redesign was set in motion by the crisis of accumulation and stagnation in the world capitalist system. Like a man in a sinking ship looking for a way out, capitalism found in information technology a life boat to a new world of profits. It also provided the tools to construct new forms of domination and exploitation, with all the old habits and desires hiding the revolutionary possibilities inherent in our future.

Information technology holds out the possibilities of greater democracy and participation through the access to information and knowledge. Technological labour may lead to a new type of value which can destroy commodity production. It can develop environmentally safe modes of production and help equalise relations between the North and South. The potential is there, but this demands political will and a revolutionary movement which understands its historic possibilities. Either a mass democratic movement will take hold and direct the use of digital production, or it will be dominated by global capital to extend and strengthen its own rule.

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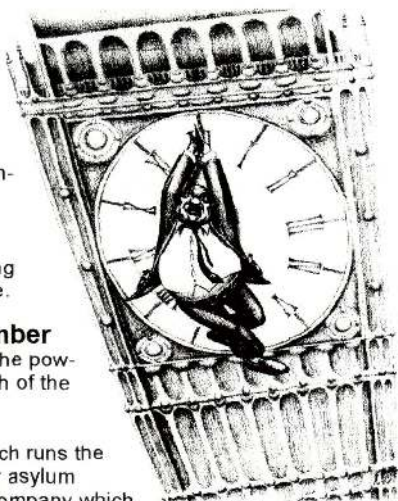
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## Rethinking globalisation

What is globalisation? Irresistible force? Ideological albatross? Strategy for capital?<sup>1</sup> I would like to approach the notion of globalisation from a different direction. 'Globalisation' is simply a convenient description for a collection of processes under way today. Furthermore, globalisation cannot be understood separate from its underlying technological foundation. What we think of as 'globalisation' – a high degree of integration of world production, markets, finances, culture, politics, at the expense of the local or national – only exists because of what new technologies like electronics, bioengineering, 'smart materials', etc., make possible. That is, in the absence of new technologies, what we think of as 'globalisation' could not be possible. Or, to put it another way, globalisation describes capitalism in the age of electronics.

The discussion of the existence or nature of globalisation, then, is really a discussion of new technologies, and their relationship to capitalism, and what they make possible. This tack says that there is something new, epochal, different today from the capitalism of, say, fifty years, eighty years or 150 years ago. This is not to say that capitalism no longer operates according to the same laws. The notion that the laws of capitalism have been suspended, implicit in the talk of 'the new economy', is crazy talk. But one can still recognise profound differences today that, rather than launching capitalism into twenty-five years of boom à la *Wired* magazine<sup>2</sup> (or even an upswing of a Mandelian long-wave<sup>3</sup>), inflame the deepest contradictions of the world economy.

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To suggest that there is something new likewise implies that capitalism develops and, in the process of development, goes through stages. This is what Marx implied when he mapped out the development of capitalist production from the system of cooperation through manufacture to industrial production.<sup>4</sup> Or when Lenin was able to describe imperialism as a stage of capitalism (originally published as 'The latest stage of capitalism', and at some point optimistically changed to 'The final stage').<sup>5</sup> This did not mean that at any of those stages the fundamental laws of value or the maximisation of profit ceased to operate. Rather, due to different technological climates, different forms of production and distribution became possible, and the centre of the class struggle shifted.

This is a conception of history not as 'one damn thing after another', but as an ultimately comprehensible process deriving from the dynamic interplay of mobile productive forces which, at 'a certain stage of their development come into conflict with the productive relations within which they have been at work hitherto'. There is a determinacy here, not a dumb Rube Goldberg 'technological determinism', but something much richer, much more human. The determinacy is such that technology sets certain boundaries of what is (economically at least) possible in society.

This stretching of the boundaries of the economically possible by new technologies happens at all points of the circuit of capital – in production, and in the circulation of commodities and money.<sup>6</sup> As companies, driven to expand profits, take advantage of the new boundaries, the components of 'globalisation' take shape.

The cheapening of production via robotics and other forms of automation demands bigger and hence more far-flung markets. New technologies have cheapened transportation, both in the means of transportation itself, e.g., the electronics or the sophisticated metals and plastics used in the aircraft and, perhaps more importantly, in the computerised coordinating technologies used throughout the transportation network. Cheaper communication costs, made possible by a combination of computers, fibre optic cables and satellite and microwave technologies have also made economically feasible the coordination of world production and distribution on today's scale.

The challenge of producing and marketing in many countries, with many currencies, has fed the creation of modern international money markets and currency trading. These markets, at their current scale and volatility, would not be feasible without computer technology. In fact, their growth has paralleled the development of computerised communication technology – according to the Bank of International Settlements, the amount of currency changing hands doubled between 1986 and 1989, and it grew another 42 per cent between 1989 and 1992.<sup>7</sup> Financial instruments such as derivatives to hedge against fluctuating currencies

and interest rates are themselves such complex mixes of other instruments that they are only practically manageable by computers.<sup>8</sup> Nor could the volume of transactions on today's stock markets be handled without computers.<sup>9</sup>

This technology-enabled 'globalisation' reaches probably its highest expression among those products most amenable to digital or electronic transmission – software in all its forms: television programmes, music, radio, computer software, money. As a result, a kind of world (albeit US-centric) culture emerges. A world market demands world standards in everything from the size and shape of shipping containers to information transmission protocols to DVD formats. From capital's point of view, it especially demands a harmonisation of understanding about property rights (especially in the realm of 'information products'). Hence the creation of international treaties like GATT and the Multilateral Agreement on Investment (MAI), and bodies like the World Trade Organisation and the World Intellectual Property Organisation to resolve disputes.

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The early 1970s were watershed years in the shaping of the current period. To pick two events: within months of each other, the Bretton Woods agreement was dissolved and the first commercial micro-processor was introduced by a young start-up company, Intel.

The economic pressures brought about by, among other things, the rebuilt economies of Japan and Europe coming online forced the dissolution of the Bretton Woods agreement, which freed exchange rates from their fixed moorings – a policy necessity on the part of the United States. On a separate track, the microprocessor was developed and deployed as part of the search for new tools to cheapen production and coordination costs to compete and profit in this environment. That is, these two disparate elements of the 'globalised' economy – market-driven exchange rates and the heart-brain of automated systems – were both products of the same process of post-second world war capitalism coping with changing conditions. At a deep level, the coincidence of the events was not coincidence at all.

The development of the microprocessor was the culmination of a long line of advances in everything from philosophy to electronics. The selection of the microprocessor as a pivotal point is not entirely arbitrary, because its cheapness, lightness and versatility has made possible practical robotics, and has made possible breakthroughs in other fields by cheapening and extending the tools of scientific production. It, like other critical breakthroughs in biology, materials science, computing and electronics, is a product of a widening understanding of the workings of the universe.

This widening understanding has given us the ability to record

workers' skills, encode them into tools, and to play back the skills in the absence, for all practical purposes, of workers.<sup>10</sup> The microprocessor is the device that activates the production process, and brings to life, as it were, dead labour – the knowledge and skills of past workers that has been encoded into the instruments of production. Through combinations of servo motors and switches, this machinery is fleshed out.<sup>11</sup> In this sense, it is a prime mover of a new type, as was the steam engine – that central component of the production apparatus that sets the production process into motion.

This is not just a matter of replacing the 'worker as manipulator of materials' with robotic equivalents. The English mathematician Alan Turing showed in the 1930s the possibility of constructing a machine capable of carrying out any computational task that a human being could do (with a few notable exceptions). As George Caffentzis points out, the Turing machine proved that any skill, whether physical or mental, can be replicated mechanically: 'computing, like tailoring and weaving, is just another aspect of human labour-power that can be exploited to create surplus value and, if its value is higher than a rival machine, it can be replaced'.<sup>12</sup>

These are technologies to squeeze the human being out of the labour process, not just in material production, but in mental production, and not just in the 'advanced' economies, but globally.

Even though it was some fifty years ago now that Norbert Wiener coined the term 'cybernetics' to describe machinery controlled by machines, we should not think that we are at the end of this process, but very much at the beginning. The rapid increase in speed and capability of computer chips – doubling roughly every eighteen months – shows no sign of reaching the physical limitations of silicon for another eight years at least. Beyond current silicon technology, more exotic techniques (protein/semi-conductor hybrid chips, DNA computing, quantum computing) are being researched. Gordon Moore, co-founder of chipmaker Intel, claimed recently:

Even with the level of technology that we can extrapolate fairly easily – a few more generations – we can imagine putting a billion transistors on a chip. A billion transistors is mind boggling. Exploiting that level of technology, even if we get hung up at a mere billion transistors, could keep us busy for a century.<sup>13</sup>

With these rapid advances, the replacement of areas of human activity too complex to be cheaply done by current technology becomes economically feasible (i.e., cheaper than the human equivalent). So what was not possible five years ago becomes possible today, and what is only dreamed of today will be possible five years from now.

\* \* \*

The process of transforming production from value-generating industrial-based production to labour-less, hence value-less, electronics-based production is, like all processes, uneven. It is a process that operates at a deep level within the economy, not immediately visible, revealing its consequences in indirect ways. It's a process that began in advanced sections of the economy and is being introduced in stages throughout the economy.

Obviously this process is by no means complete: it is often cheaper to deploy labour, in many cases monstrously-exploited labour, in place of more expensive technology. Profits may surge at times, or in specific industries. Employment may jump. New arenas of human activity may be commodified, becoming new centres of value production (but here the tendency asserts itself, as these new arenas become candidates for technologisation). Nevertheless, the general tendency pushes inexorably in one direction.

Many objections have been raised in relation to this formulation of a general tendency towards the broad diffusion of labour-replacing new technologies that cripples the valorisation process and sets the stage for crisis. Doug Henwood, for example, argues that there is no empirical basis for either the notion of 'the end of work', given employment data, or that new technologies present anything qualitatively new, in that they have had little, if any, effect on productivity figures.<sup>14</sup>

But...how is one to measure the impact of new technologies on production? That microprocessors are doubling in capacity approximately every eighteen months, or that their price has fallen at an average rate of 35 per cent a year in the 1985-1996 period are objective, measurable things.<sup>15</sup> And there are many anecdotes about how technology has transformed various industries from docking to mining to agriculture to oil drilling.<sup>16</sup> Given the same or fewer inputs, more outputs can be realised. On the other hand, though, in official productivity figures, measured as the total output divided by hours of labour, these advances have not had a distinguishing impact.<sup>17</sup>

Productivity figures, however, measure the results of technology after it has been run through the social blender. They will therefore reflect the degree to which society can optimally use the new technologies. In a true technology revolution, one could argue that the old order is unable to make the best advantage of what new technologies have to offer – 'from forms of development of the productive forces these relations turn into their fetters'. For example, conscious or unconscious worker resistance and efforts towards autonomy shows up in the 'futz factor',<sup>18</sup> where workers spend hours personalising their computer workstations, or roaming the Internet or sending personal email to co-workers. Superfluous work is conjured up.<sup>19</sup> Computer and software companies are compelled to survive via 'perpetual innovation',<sup>20</sup> rapidly and continually upgrading products. The constant upgrading means technology

investment must be depreciated prematurely, and substantial amounts invested in technology upgrades and worker retraining. Or companies fire workers from increasingly efficient production, while hiring other workers in sales and marketing because more effort is required to circulate commodities in the hyper-competitive environment. These drags on productivity do not contradict the power or impact of new technologies, but only highlight capitalism's inefficiencies in deploying them.

In a similar way, the introduction of new technologies, at least in the United States and much of the rapidly developing economies, has not had a dramatic effect on unemployment statistics.<sup>21</sup> In the US, official unemployment is at historic lows, while there has been an absolute increase in manufacturing employment worldwide. Again, this does not contradict the labour-replacing quality of the technology, but rather the unevenness and complexity of the process of introducing new technologies into the social mix.<sup>22</sup>

To maintain profits under all conditions, but especially so under the condition of heightened competition in the midst of new technologies, capitalists seek out the cheapest production costs, regardless of whether production is done by robots or muscle, or whether it is carried out in Detroit or Jakarta. So as electronics extends throughout the global economy, workers around the world are compelled to compete not only with each other but with their electronic counterparts – robots and automated machinery of increasingly diverse types.

For a number of reasons, employment under these circumstances can increase while new technologies are, at the same time, destroying the value of labour power.<sup>23</sup> The capitalist does not care if production is done by the 'gratuitous labour of machines' or by the 'free' labour of slaves. With electronics driving down the value of labour power and, therefore, wages, more members of the household are compelled to enter the job market, or to work past the traditional retirement age, or to take on multiple jobs in attempts to maintain a slipping standard of living. Workers pushed out of the top of the labour market scabble to hold on by re-entering waged work at lower wages. Others are driven into the job market at the bottom by the end of welfare programmes, temporarily providing a cheaper alternative to technology. And others are driven by circumstance into the sex trade or the illegal drug industry or other illicit activity, and from there into forced labour in prisons.

Computerisation drives the value of labour power down to the wage of the robot, and the tightly integrated world economy generalises this process. In the new regime, made possible by new technologies, 'flexible manufacturing' needs a 'flexible' workforce, 'just-in-time' inventory requires just-in-time labour, decentralised and dispersed production means outsourcing. The old social contract of long-term employment, and rewards for long service is over.<sup>24</sup> That is, the consequences of the

technology revolution shows up in the general destruction of the social relations of capitalism. Many of the 'end of work' arguments have focused on just one aspect of these social relations, 'work' or 'the job'.<sup>25</sup> The end of the 'job' – formal waged work – is only one possible future, as George Caffenzitis pointed out in a recent paper, while a renaissance of new or old forms of slavery are as likely under the new technological regime.<sup>26</sup> However, to focus in on just this aspect of the process, and to counter that in fact, jobs are being created, or that surplus value is still being expropriated, ergo the process does not exist, misses the bigger picture.

The result of introducing 'labour-replacing' technology is a deeper process of destruction of 'the job' and its implication of a social contract and, from the job, a wider network of social relations: worker-to-worker and worker-to-employer (via the attack on trade unions); worker-to-family (as more household members are driven into non-domestic work); worker-to-nature (via the destruction of the environment); worker-to-community (via the criminalisation and imprisonment of broad sections of society); worker-to-homeland (via the dislocation of millions of workers, turned into migrant labour, as industrialised, computerised, bio-engineered and world-marketed agriculture has destroyed the base of traditional peasant and small-farm life); worker-to-commons (via the privatisation of public space, now demarcated by tollbooths and turnstiles), and worker-to-self (via the evaporation of privacy as each moment is surveilled, recorded, commodified).

In the midst of these crumbling relationships, the critical indicator of the impact of new technologies on production is not 'employment' statistics but the polarisation of wealth and poverty. With the destruction of the value of labour power and wages, wealth polarises and the centre disappears. This polarisation is not just between the rich North and the impoverished South, but also within the advanced economies. In the US at least, the polarisation is greater than at any time since the 1920s.<sup>27</sup>

The most profound relationship in capitalism is between capitalist and worker. On this foundation – the private ownership of the means of production, the commodification of labour power, the mutual dependency of capitalist and worker (the capitalist for the worker's ability to work; the worker for means of sustenance controlled by the capitalist) – the whole edifice of capitalism and world society today ('universalised capitalism'<sup>28</sup>) has been raised.

Yet this relationship is in the process of being destroyed. It's not that there once were waged workers, and now there aren't (which of course is not true). Rather, the social fabric which enables the reproduction of capital – through the reproduction of labour power, through the circulation of commodities, through the maintenance of a social and natural order conducive to production – is being shredded. The situation is

rather similar to the period of the enclosures or primitive accumulation, a process of divorcing producers from the means of production, fencing them out. Today, the enclosure is also a process of locking out. Not everywhere, not all at once. But the worker is transformed into a contingent element, outside the fence, hoping to be summoned for some work too expensive or still too complex for an electronic or bio-engineered equivalent.

A. Sivanandan's words seem to get truer and truer:

The more Labour tries to hold Capital in thrall by withholding its labour, the more Capital moves towards its emancipation through yet more information technology, yet more labour-less productive regimes, yet more recourse to the captive labour force in the periphery. The relations of production, that is, have changed with the changes in the level of the productive forces...Capital no longer needs living labour as before, not in the same numbers, in the same place, at the same time; Labour can no longer organise on that basis, it has lost its economic clout and, with it, whatever political clout it had, whatever determinacy it could exercise in the political realm...<sup>29</sup>

Perhaps this was always the capitalist dream, but not technically possible until now.

\* \* \*

We can appropriate 'globalisation' to describe this phenomenon in the same way that Lenin could appropriate 'imperialism' to describe capitalism at the beginning of this century. The term 'globalisation' does not need to imply that there used to be 'nice' capitalism and now there is 'mean' capitalism; or that there wasn't international trade before, and now there is. It does imply, though, that the network of relationships that defined 'imperialism' are being replaced by new ones. National monopolies are being replaced by supranational ones. The export of finance capital, typically to build productive assets in the colonies, is being replaced by a kind of speculative, money-trading capital.<sup>30</sup> The old colonial system has, by and large, been dismantled and replaced by new (but not necessarily any more equal or more humane) relationships. Capitalism is compelled to destroy whatever social base it may have maintained in the old imperialist centre through the restructuring of the domestic economy. That is, the bribery of the worker in the centre to purchase political allegiance for the super-exploitation of the worker in the periphery is withdrawn, putting the worker and non-worker in the centre on the same precarious footing as his or her counterpart around the world.

At the same time, though, the struggle to shape these new relationships around means of production and property is also the crucible in which a new class is being forged. This new class is composed



of what were once considered 'workers' (propertyless human beings compelled to sell the ability to labour) but the broader relationship has changed because the labour market has been transformed, the ability to survive as a worker compromised, with no retreat to a pastoral haven possible. The 'worker' is no longer a 'worker' but something transmuted – perhaps into a 'proletarian' in the Roman sense of the term, not the Marxist.<sup>31</sup> This new class is composed of the cast-off, of the contingent worker in the old centre, or the former peasant or tribal communities, leapfrogged to new proletarian.<sup>32</sup> The new class is a smear of social strata, from the homeless and the prisoner through the temp, the workfare slave, and the micro-entrepreneur to the 'consultant' and the 'self-employed'.

The old relationship of buying and selling, ordered by accepted notions of property is replaced under desperate circumstances by redistribution 'by any means necessary', as demonstrated in the food 'riots' in Indonesia, or the looting of supermarkets by landless peasants in Brazil. In response to the claim that such a new class is not visible, one is reminded of E. P. Thompson's lyrical response to similar charges with regard to a previous period:

Sociologists who have stopped the time machine and, with a good deal of conceptual huffing and puffing, have gone down to the engine room to look, tell us that nowhere at all have they been able to locate and classify a class. They can only find a multitude of people with different occupations, incomes, status-hierarchies, and the rest. Of course, they are right, since class is not this or that part of the machine, but the way the machine works once it is set in motion – not this or that interest, but the friction of interests – the movement itself, the heat, the thundering noise.<sup>33</sup>

Or those who might claim that the new proletarians, because of their tenuous relationship to the production process, have no historic role to play, might bear in mind Marx's and Engels' critiques of the 'utopian socialists'. The 'utopian socialists' pre-dated the development of industrial capitalism and, with it, the formation of the industrial working class. As a result, the utopian socialists could not, and thus did not, see any important role for the then nascent working class in the socialist struggle of that day. 'But the proletariat, as yet in its infancy, offers to them the spectacle of a class without any historical initiative or any independent political movement.'<sup>34</sup> Likewise, today's 'utopian socialists,' fail to see a new class forming alongside the new productive forces, and consequently fail to see that that class has any 'historical initiative'.

In much of the Left's anti-globalisation writing, globalisation is seen as an ideology that is sapping the working class of its power ('paralysed by the bogeyman of globalisation'); it serves to quash the 'socialist project,' and play into the hands of a resurgent capitalist class.<sup>35</sup> It is true

that, unless some counter-understanding of globalisation is phrased, the ideology of libertarian capitalism unbound implicit in 'bourgeois globalisation' may, in fact, have its deadening effects. In the process of destruction, what is erected to take the place of the old system is not pre-ordained. The world system that is being constructed, of a relatively small number of elites – perhaps 1 or 2 per cent of the world's population – controlling their property via an emerging electronic police state and supported (technically and politically) by a privileged 20 per cent of the population engaged in some kind of symbolic processing activity, with the other three-quarters or so of the world's people condemned (at best) to a marginalised existence, is not a pretty sight.

This suggests, then, the importance of consciousness, of ideas that can shape people's understanding of this period as not necessarily one of barbarism and enslavement, but of opportunity and promise. An accurate assessment of 'globalisation' means understanding where things are coming from and where they are going, so that the 'working class', or the elements being thrown off of it are not victorious in just a 'socialist project' but in what might be called a 'communist project'. That is, for perhaps the first time in history, the technical means exist, or are coming into existence, to realise the vision of a society free of want, with the abundance made possible by new technologies distributed on no other basis than need.

This is not a paralysing, but rather a liberating, idea, an empowering idea. Struggles as seemingly disparate as the dockers and wharfies and United Parcel Service workers, joined by their counterparts at other ends of the transportation network, or the various worldwide and coordinated struggles against the MAI or ownership of genes; or the rebellions that toppled Suharto, or in Chiapas, or Los Angeles, 1992, are expressions of this new class flexing its muscles. Globalisation creates new forms of oppression, but also calls forth new forces of resistance and initiative.

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## Where do you want to go today? The rise of information capital

The economic paradigms of the industrial age, on which the socialist analysis of capitalism has depended, are in the process of being replaced by new paradigms of the globalised, information age. Developments in information technology since the 1970s have made possible new forms of economic organisation in both manufacturing and also in the media industries which have undergone substantial changes in the last twenty years. The huge growth in the spread of digital telecommunications over the last ten years has accelerated this process, leading us to the brink of a new era of capitalist development. One aspect of these new forms of economic organisation is the process of globalisation.

A world economy has, of course, existed since the beginning of capitalism and came of age in the era of colonialism. Marx spoke in the 1840s of how the bourgeoisie had:

given a cosmopolitan character to production and consumption in every country. To the great chagrin of reactionaries, it has drawn from under the feet of industry the national ground on which it stood. All old-fashioned national industries have been destroyed or are daily being destroyed. They are dislodged by new industries... whose products are consumed, not only at home, but in every quarter of the globe... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations.<sup>1</sup>

But a globalised economy does not exist simply because national

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markets are integrated into a world economy. Rather, it comes about when the time delay for information to flow around the world market approaches zero. At this point, the world market starts to act as a single organism. Changes at the centres of this organism impact on the peripheries instantaneously, giving the impression that there are no longer any centres and peripheries to speak of. The whole world market comes to be seen as a unified information system, and a new globalised sector of capitalists emerges to maintain this system.

Information technology does not only make possible the emergence of the globalised market – within that market it also makes possible the rise in the importance of informational and symbolic goods. There are three components to this process. First, informational and symbolic goods become one of the most dynamic and profitable areas of the world economy (most visibly in the form of electronically-delivered software, media and entertainment, but also in a whole range of other information services, such as the selling of databases of consumer information). Second, firms in other economic sectors, such as manufacturing, come to rely for their competitiveness on the production of information, knowledge and symbols. So the symbolic component (style) of goods like cars and trainers becomes more and more important, with firms' marketing departments contributing as much to design as design departments. Third, in the manufacturing process itself, firms are forced to enter a state of perpetual technological innovation (of which automation is just one part) in order to remain competitive. This means that new factors, such as the ease with which firms can produce knowledge, respond to new knowledge, generate brands and market them, rise in importance alongside older, industrial-age indicators of a firm's competitiveness, such as production capacity, transportation links, industrial relations, level of wages.

Across most of the world, new economic activities have not replaced those of the industrial, or even the pre-industrial, age. Most areas of the world are still struggling to industrialise, and around half of the world's population live in rural areas, still tied to their land base and, often enough, to poverty. But the paradigm of information capitalism as it emerges out of the most developed centres of the world economy has a transformative effect on the entire world. The relationship between the wealthy and the poor is changing from one of exploitation to indifference. The role of the nation state is changing from that of mediator between the nation's labour and capital to establishing the right infrastructure for foreign investment. The axis of power is shifting from exploitation of poor nations by rich to the indifference of a global elite in every nation towards the increasing poverty of their own people.

## **Electronic communication**

The rise of information capital is a process which has progressed at different speeds, at different times, in different places. Its progress at each stage has partly depended on the technological capacity to move information quickly and cheaply around the globe. The seeds for this process were cast as far back as the deployment of the first telegraph lines in the 1830s. Before then, communicating a message across distances meant actually transporting the message by a physical courier (the fastest was the railway). Until a telegraph line was completed between India and England in 1865, it took five to eight months for a message to reach India by ship. By the 1870s, a telegram could reach Bombay in five hours.<sup>2</sup> The telegraph made it possible to transmit information between two distant places at the speed of morse code, by encoding the information as electric pulses passing through a cable. Thus, the communication of information was freed from the need for a physical courier. In principle, any kind of information could now move around the world almost instantaneously. Throughout this century, technological developments have brought this principle closer to practice. In this sense, telegraph lines were the first links in the vast chain of electronic communication networks which spread across the world today, including copper telephone lines, fibre-optic cabling, satellite technologies, terrestrial broadcasting and other kinds of wireless communications.

We are now on the verge of a new era of communication, as a number of different areas converge into a single digital platform. With digital communication, all information (text, sound, pictures, video and other data) is reduced to a code of binary digits, that is numbers in the binary notation of zeros and ones. So, for example, each letter of the alphabet is represented as a unique sequence of eight zeros and ones, while a minute's worth of music can be reduced to a sequence of around 84 million binary digits which express the music in sufficient detail for the human ear. Since this encoding uses binary, each digit has only two possible values. The sequence of digits can therefore be communicated by any transmission system which recognises two possible states, such as an electric current which can be on or off.

Digital communication has four advantages: first, distortion of the signal is reduced because the transmission system only needs to recognise the difference between two possible states, not a whole range of values; second, digital encoding can be applied to the full range of different kinds of information (text, voice, images, music, video) so that the same transmission infrastructure can be used for different services; third, mathematical techniques can be applied to a binary encoding to compress the information, allowing much greater capacity; fourth, digital encoding allows for extra information to be mixed in with the

signal, such as error checking or interaction. In short, digital communication allows for perfect copying, convergence of different media, higher capacity and greater flexibility.

Two areas in which digital technology has already had a revolutionary impact are those of financial trading and telecommunications. The possibility of real-time information and digital transaction networks in the world's financial trading markets led to a conversion to electronic trading in the 1980s. Since then, cross-border trading in shares, bonds and currencies has rocketed – \$1.4 trillion of foreign exchange is traded through the world's computer networks each day.<sup>3</sup> The speed of change in this market is so fast that most investment in the currency markets only stays in one currency for less than seven days. And the scale of transactions in the markets overpowers the reserves of every nation to resist its fluctuations, thereby undermining the ability of the nation state to pursue fiscal and monetary autonomy.

Meanwhile, the backbones of the world's telephone networks have been operating digitally for over a decade. As a result, the cost of international telecommunications has fallen effectively to zero.<sup>4</sup> Communication between one side of the world and the other is no different from communication between neighbours. The difference in the price paid has nothing to do with the real cost of the calls. The growing spread of cheap digital links across the globe has given capital much greater flexibility in choosing where production can occur. This has contributed to a new, more complex division of labour around the world, and given capital an increased freedom from the bargaining power of labour.

Riding on the back of the emerging global, digital telecommunications system is the current immense growth of the internet, which is a worldwide public digital network estimated to have 122 million users.<sup>5</sup> Because the internet embodies the four strengths of digital communications – perfect copying, convergence, high capacity and flexibility – it is emerging as the 'glue' linking all these trends together. It has the potential to subsume the television, the telephone and the personal computer into a single digital platform. The internet is already becoming a global electronic marketplace for a whole range of goods and services, many of which are produced, distributed and consumed entirely within the same digital realm.

### **Informational goods**

Economists have long referred to the service sector as a major area of growth in advanced economies, some even suggesting that it represents a third wave of economic development after the agricultural and industrial periods. However, for as long as the concept of services has been in use, it has been plagued by definitional problems. It is generally



agreed that the fields of construction, transport, telecommunications, tourism, distribution, financial services, education and health care are all services, but it is less easy to agree on what they have in common. The idea that services involve mental labour while manufacturing involves physical labour does not fit because workers have always used some combination of mental and physical activity in their work, whether in manufacturing or in 'services'. Similarly, the idea that services are intangible products does not measure up because many service products are tangible, for example, computer software sold on disk. The distinction between services and manufacturing is therefore vague, and at least some of the growth attributed to the service sector is the result of a reclassification of economic activity, rather than actual economic change.<sup>6</sup> It has rightly been pointed out that the concept of services is a catch-all for anything that does not fit into the existing categories of manufacturing and agriculture. However, this ambiguity has not prevented a number of evangelical celebrations of the service sector as representing a historical break with either industrialism, capitalism or modernity. The most well-known of these are Daniel Bell's notion of a post-industrial society,<sup>7</sup> Jean-François Lyotard's idea of a postmodern culture<sup>8</sup> and Peter Drucker's arguments that we are passing into a post-capitalist world.<sup>9</sup> The problem with these analyses is that, while recognising that important changes are occurring, they nevertheless fail to recognise that capitalism, class society and imperialism continue to be the defining elements of our world.

The emerging global networks of electronic communication have vastly increased the possibilities for capital to trade in 'informational goods'. Goods can be informational, in production, consumption or both. From the production point of view, goods are informational to the extent that their production is the result of symbolic construction rather than physical manufacture. From the consumption point of view, goods are informational to the extent that they are valued for their symbolic component, rather than for physical use. So the category of informational goods includes television and radio programmes and computer software downloaded from the internet. It also includes newspapers, books, magazines, CDs, tapes and videos and computer software sold on disk. Although all these goods are physically manufactured objects, it is their symbolic component (the music, for example) which is of value in their use, and which will most likely be the determining factor in their production. Computer hardware, televisions, fax machines and telephones, as well as the electronic networks which link these together, are also part of the informational economy because they provide the architecture which makes information flows possible. Tourism, education and knowledge-based fields (for example financial consultancy, design services, data processing) are also informational as their value rests on symbolic manipulation. Consumer goods may be

considered to have informational components if their style is a major factor in their value. Branding is the process of trying to add symbolic value to goods through brand names and associated styling. As specific categories of goods become dominated by branding (for example, trainers) their informational component rises in importance. In sum, wherever capital is involved in the production of culture, it is in the business of producing informational goods.

It will be clear from this definition that the majority of goods will contain a mixture of informational and non-informational components, although some will be purely informational (for example television programmes). Also, it will be evident that the concept of informational goods does not correspond exactly to the concept of services, and statistics which try to assess the size of the service sector are of limited use in measuring the degree to which economies are informational. However, it is a reasonable assumption that the richest nations, in which services generally account for over 60 per cent of GDP,<sup>10</sup> are also the most informationally active economies.

World trade in informational goods is increasing rapidly. Much of this trade flows from the US to the rest of the world. Computer software, entertainment products (motion pictures, videos, games, music), information services (databases, online news and information), technical information, product licences, financial services and professional business services account for a huge and growing proportion of US exports.<sup>11</sup> Since the 1970s, the US (and to a lesser extent Europe and Japan) have perceived a comparative advantage in informational goods and have sought to 'liberalise' world trade in these goods so as to open up export markets around the world. Furthermore, the increasing circuits of electronic communication make world trade in informational goods much easier. As existing markets have become saturated, capital has increasingly flowed into the informational sector, looking for new opportunities. Trade in highly informational goods has grown faster than in other sectors, spurred on by deregulation around the world (in telecommunications for instance) and by continuing innovation and government assistance in the producer nations (for example, military expenditure by the US government continues to assist its IT industry).

### **Information as commodity**

There are major differences between the economics of information and the economics of physical goods. Physical goods are subject to the phenomenon of scarcity which makes possible the system of supply and demand. Information is, by nature, not subject to scarcity since it is a 'non-rival' good. In general, one person can share information with another, without losing the potential use of that information. On the other hand, if a physical object is shared between two people, each

person has less potential use of it. Information therefore does not immediately suggest itself as a good for exchange, but rather as a public good. In order to trade in information, it first has to be made artificially scarce by being turned into a privately-owned commodity.

In pre-capitalist social formations, information was generally socially owned and rooted in specific contexts of meaning.<sup>12</sup> Whether as language, culture and the traditions passed on from generation to generation, or whether through institutions like the academy and the church, the distribution of information was sponsored by society as a whole. The predominant modes of communication were face-to-face speech, music, dance or the use of writing and painting in specific institutional contexts.

With industrialisation in Europe, many of these contexts of meaning lost their relevance, and new forms of popular culture emerged as a disruptive force, threatening to subvert the new rhythms of the factory age. In Victorian Britain, in response to this state of affairs, the belief in the need for the state to shape culture as a socially cohesive force emerged. Various state agencies concerned with overseeing the transmission of tradition and culture grew up in this period – public libraries, museums, the academic institutionalisation of English literature. With public-service broadcasting from the 1930s, the ability of the British state to assume control of the transmission of socially-owned information was greatly enhanced. Similar trajectories were followed in other industrialised countries.

Alongside the state's organisation of socially-owned information has also come the gradual commercialisation of information flows. This reached new heights with the post-war consumer boom, as Keynesian economic growth rested on the rising affluence of the working class. Media products were not only sold directly to consumers; also, the attention span of audiences during ad breaks was sold to advertisers. Capital began to invest more of its surplus in managing the distribution of goods through marketing; information about products flowed into consumers' homes through mass media advertising. This model rested on the ability to produce predictable audiences via particular media products, the rights to which were privately owned. In this way, the Keynesian era of information flow involved a mixed settlement between socially-owned information organised by the state and privately-owned information organised by the market.<sup>13</sup>

At varying rates over the last twenty years, there has been a decline in this settlement as the public service role of the nation state has struggled to keep pace with new communications technologies and economic realities. On top of this, states have lost the political authority to take on the role of overseeing national culture. As a result, capital has increasingly moved into the trade in, and production of, informational goods.

**Intellectual property law**

In order to facilitate the trade in informational goods (within domestic markets) states have, since the nineteenth century, slowly developed a system of legal protection by which information could be said to be privately owned. This ownership consisted in a monopoly on communicating such information or on exploiting it; in other words, the system of intellectual property law (copyright), trademarks and patenting. The system of copyright gives a firm legal ownership of its intellectual property (music, films, computer software), allowing it a monopoly on communicating that intellectual property to an audience. Similarly, trademark law serves to protect the work capital does in building up brand names. Patenting protects the investment which firms make in research and development by guaranteeing them a monopoly on the exploitation of knowledge arising out of their research for a set period.

Today, with global networks of communication, intellectual property law is being asked to do more than ever before. Digital technologies can duplicate information instantaneously, without loss and at zero cost. Whereas once information was tied to physical forms like the vinyl record or the printed page, in the digital age information floats free. As these technologies become ubiquitous, intellectual property law becomes all that prevents information flow from freeing itself completely of the market exchange system. That is why information capital today places such importance on establishing enforceable world agreements on copyright violation. And also why the legal system is struggling to reinterpret copyright law for new technologies like the internet. Furthermore, in a global economy any system of legal protection for intellectual property is only truly effective if it is enforceable worldwide. This gives nations which are net exporters of intellectual property (such as the US) an interest in intervening in regulatory regimes around the world, many of which are drawn from age-old traditions of community ownership of information.

Nevertheless, intellectual property law proves to be an imperfect solution. Whether socially owned or privately owned, the production of information works in a circle. An existing horizon of knowledge, information and symbolic products is the raw material to which human creativity or innovation is applied. The resulting product is then passed back into this horizon of knowledge as raw material for other acts of creativity, and the circle begins again. With each cycle, something new is created, but this new product always carries a trace of the earlier innovations on which it builds. Because innovation is cumulative in this way, it is difficult legally to distinguish between different firms' intellectual property, since all intellectual property is a mixture of innovations arising from different places. An original idea by one firm

will inevitably be taken up by other firms who make their own further developments. Intellectual property law tries to contain this problem by specifying a vague distinction between ideas (which are not intellectual property) and expressions of ideas (which can become intellectual property). However this is a limited solution, since the problem just gets pushed back to distinguishing between what is an idea and what is the expression of an idea.

One well-known example is the use of desktop icons in the user interface for PC systems. This revolutionary idea was originally developed at a Xerox research centre in the 1970s. But Xerox never developed it into a commercial product. In the 1980s, the idea was adopted by Apple and was at the heart of the successful Macintosh range of computers. Later still, Microsoft realised its potential and made it the heart of the Windows system. Ironically, it was not Xerox but Apple which tried to use legal means to claim ownership of the idea, although the attempt failed.

### **Innovation and risk**

Since the industrial revolution, growth under capitalism has depended on the ability of firms to bring new products to market and to find new techniques of production; in short, on innovation. With the trade in information, the need to innovate reaches a new intensity. Ideas, styles and knowledge have a limited lifespan and, as capital builds more and faster circuits for information to flow through (helped by developments in electronic communication), this lifespan decreases. In addition, since intellectual property law does not give perfect protection to a firm's ideas, it becomes essential to exploit their potential before competitors can imitate them. As a result, firms commit themselves to perpetual innovation along a given line of development. They will aim to monopolise their original idea and all its spin-offs through heavy investment in research and development, innovation and creativity. The effect is a spiral of ever faster production, distribution and consumption cycles.

In high-technology fields, perpetual innovation is characterised by short product cycles – the time it takes from the launch of a new product to the point where it becomes obsolete and production ceases. It is now common for many computer software and microchip products to have a product cycle of six months. In the media industries, perpetual innovation is characterised by the need for constant creativity in finding new ways to build audiences. The constant reworking of genres and styles found in the music, film and television industries derives from this. In the field of marketing, companies like Nike, McDonalds and Coca Cola use techniques which follow similar principles. They aim to dominate a field through the sheer weight of perpetual marketing. Each

season brings a new twist to an established brand name. As well as acquiring scientific expertise, such companies try to sign up every basketball star, or sponsor major sporting events. All these fields share a dynamism characteristic of the informational economy, which derives from the speed of innovation and creativity. The shortening product cycles, and the increased cycles of information flowing from producers to consumers and back, amount to a higher circulation of capital and, therefore, a potentially higher rate of profit, compared to the slower cycles of traditional manufacturing. But with this dynamism comes a greater risk, as the investment needed for innovation is high and the window of opportunity to realise the investment is ever smaller.

Innovations in communications technology are also subject to the phenomenon of 'lock in'.<sup>14</sup> For example, to the first person who buys a fax machine, the machine is of no value; there is nobody else to fax. But each time another compatible fax machine is purchased, the value of the first fax machine increases; there is another person out there to be faxed. Eventually a point arises where the network of compatible users is large enough to prevent other incompatible fax systems from gaining a foothold in the market, even if the new system is technologically superior. Once this happens, the market is locked in to a network standard. Users pay to be a part of this network, rather than for a particular machine.

In a number of different fields, markets are locked in to *de facto* standards which may be supplied either by a single firm (for example, Microsoft supplies the *de facto* standard PC system software) or by a group of firms all committed to an open standard (for example the standard protocols for fax transmission are available to a number of manufacturers). Those firms which are part of a product platform which achieves lock in are, for a period, protected from competitors, while those who backed rival platforms will have nothing to show for their investment in research and development. During this lock in period, firms with a successful lock in will use their huge revenues to maintain product development, and attempt to use perpetual innovation to guarantee a long-term future for their dominance.

There is no better example of this strategy than Microsoft. At an early stage in the development of the PC market, Microsoft established its software as the *de facto* standard and a lock in effect occurred. To maintain lock in, Microsoft poured its spiralling revenues into massive research and development work, acquiring smaller firms whose intellectual property might be the germ of a rival platform, aggressively marketing the Microsoft name and poaching talented engineers from rival firms. As Microsoft grew, other firms which were not tied to the Microsoft platform fell by the wayside, or moved out into other markets (for example Digital Research, Apple, Netscape).

In a range of fields, firms have found that there is a potential for huge

revenues from lock in or market dominance. The potential for profits is high, not least because of the low costs of transmission, distribution and copying of informational products. The marginal cost of producing and distributing an extra unit of the product is unusually low, even more so than the economies of scale achievable in manufacturing with Fordist mass production techniques. However, the fixed cost of investment required to develop the product in the first place tends to be unusually high, and the time that a firm has to realise its market dominance can be limited. Perpetual innovation in informational goods therefore combines high potential reward with high risk, and once a product has been developed there is – as one would expect from this structure of costs – a strong drive for the maximum possible volume of sales across the world.

### Networks of firms

We have long been familiar with the concentration of capital into larger and larger firms and with the growing power of multinational and transnational corporations. At the heart of these processes are the efficiencies derived from vertical and horizontal integration. Vertical integration involves a firm acquiring facilities for the production of raw materials, transportation, distribution or financial services alongside the core manufacturing process itself, thereby gaining efficiencies from not having to contract out these auxiliary activities to external suppliers. Horizontal integration involves efficiencies arising from a variety of products being produced within a single firm. For example, know-how developed in the manufacturing of one product might be applicable to other products as well. With information capital, these processes have both been extended and transformed.

Typically, multinationals have spearheaded the rise of information capital. Only they have had the necessary capital to invest in research and development, intellectual property or large marketing budgets. They have also been best placed to achieve high volumes of sales from a worldwide presence and take advantage of the low marginal costs of delivering extra units of an already developed product. But multinationals have also taken integration a step further with the growing practice of alliances and partnerships between firms. There are several reasons why such alliances have become common in the informational economy. First, as already discussed, there are high risks involved in fields subject to perpetual innovation. By combining resources, these risks can be spread. Second, because investment in research and development is potentially vulnerable to imitation, firms may decide it is better to identify potential competitors early on and share development, rather than each building their own complete system independently. Third, where a product has a tendency to lock in to a *de facto* standard,

firms will build on each other's standards and license product components or services from other firms rather than design and implement their own alternative system.

The PC industry is perhaps the most successful example of how, through informal alliances, a range of firms together produce a finished product. Intel supplies some of the microchips and one of the brand names. Microsoft supplies the software that makes the PC work. IBM, Compaq or Dell combines it all together into a single box. The PC is therefore the platform for an interlocking open partnership of brand name components, each from separate sources. Each of the firms involved in this partnership needs each of the others in order to do business. Moreover, each firm will dominate its own area of expertise through perpetual innovation.

Meanwhile, alongside the growing trend to inter-firm alliances, there has also been a growth in the practice of outsourcing and subcontracting, whereby aspects of production are contracted out to other firms. Some of these may consist of small teams of experts (high-tech scientists or media 'creatives') who find that they can respond more flexibly and creatively to rapid changes if they work outside the large multinationals. Control of these small firms remains effectively in the hands of the large corporations who contract them. A second major motivation for outsourcing is to disconnect large firms from their workforces, as discussed below. The result of both inter-firm alliances and outsourcing is that firms increasingly cooperate in networks, and production increasingly moves through a chain of connected firms around the world.

### **Information capital freed from labour**

New technologies, then, have made possible the rise of information capital; this has, in turn, created a new economic paradigm based around intellectual property, innovation and networks of firms. This new paradigm is concentrated at the centres of the global networks of information flow and transaction. The paradigm will not always be found in pure form; more often than not it will be interconnected with industrial age economic activities. But, wherever it is found, the rise of information capital goes hand in hand with the loosening of capital from its ties with labour.

[The] emancipation of Capital from Labour alters the whole fabric of industrial society, disaggregates and recomposes the working class into highly skilled 'core' workers at one end and unskilled or semi-skilled 'peripheral' workers at the other, with the former being absorbed into management and the latter being gradually cast out into the semi-employed or unemployed zone – so engendering the



two-thirds, one-third division of society... A similar division obtains in the Third World – except that there the ratio is the other way around: one-third haves and two-thirds have-nots – with the former identifying themselves not with the national interest but with international capital. So that what you have, in effect, is a new capitalist order in which the world is divided into the rich and the poor – with the poor increasingly becoming a population surplus to capital's requirements – marked out, more often than not, by race and colour.<sup>15</sup>

Whereas in traditional manufacturing, the dependence on large agglomerations of hands-on labour power meant that labour could bargain with capital and eventually win for itself political rights, employment rights and a better distribution of wealth, under information capital, labour power no longer carries the same weight in production for two reasons. New technologies reduce the total contribution of labour to the production process and capital's increased mobility means that work can be outsourced. Through processes of outsourcing, labour tends to become fragmented into linked chains stretching around the world. As capital has become more mobile, labour has been forced to accept 'flexibility', that is low wages, non-unionisation and temporary or part-time contracts. Labour flexibility has also been aided by changes in trade union legislation in many countries since the 1980s.

This process of change has become increasingly complex as capital finds that it has more and more options at its disposal. The model of a new international division of labour, in which work is exported to the Third World where wages are cheaper, is now being further complicated. First, the spread of wage levels is more intricate, so that capital finds cheap labour even in the most developed economies – this is often migrant labour, the 'Third World in the First'. Second, as information capital rises in importance and automation becomes more prevalent, capital has the option, in some fields, of employing only a core of highly skilled workers. Even amongst these highly skilled workers, there may be divisions of labour spread across the globe.

The actual process varies with different firms and regions. It may be that a firm decides to keep its highly skilled 'knowledge workers', make the majority of its workforce redundant, and shift to using low-pay migrant workers on temporary or part-time contracts; or the firm may sub-contract part of its work through global networks to cheaper workforces in other regions; or the firm may take advantage of the reduced bargaining power of labour to obtain higher concessions in terms of the contract between capital and labour; or the firm may find that automation makes possible the dispensing of most work altogether.

With outsourcing, the corporate brand name can be insulated from

the seedy side of labour-capital relations, and anonymous firms in poorer parts of the world are better able aggressively to impose labour flexibility. Nike makes use of outsourcing to distance itself from the actual manufacture of its products with cheap labour in Asia. Nike's core business is not selling clothes and shoes, but selling its brand name; therefore the company invests hugely in marketing. Basketball stars like Michael Jordan can earn \$20 million annually for their endorsements, more than the total earnings of the entire workforce which actually makes the shoes.<sup>16</sup> The separation of the physical assembly of the shoes from the production of the Nike brand name helps Nike to cultivate its own image as a symbol of anti-authoritarianism, even as a symbol of African American identity. But in factories making Nike shoes, an anti-authoritarian stance is met with repression. Cicih Sukaesih, an Indonesian worker who was sacked for organising a strike, was surprised to find Nike adverts using the line, 'Go ahead, demand a raise. You have everything to gain, and nothing to lose.' In Indonesia, Sukaesih notes, the slogan 'Just Do It' is taken to mean 'Work harder and don't question authority.'<sup>17</sup>

### **Working in digital networks**

As firms sub-contract their work through digital networks, new categories of work, usually performed by women on temporary or part-time contracts, have also been emerging and growing rapidly, such as data entry and processing, and call centre work where a 'factory' of operators answer telephone calls (for example, 0800 numbers or paging services). Telecommunications networks allow this work to be done anywhere in the world with little increase in logistical costs. Furthermore, because the work involves operating information technology, firms can build monitoring systems into the workplace, so that a small number of supervisors can check the work of an entire 'information factory'. Two-thirds of major US companies monitor their workers electronically.<sup>18</sup>

In the Caribbean, women do outsource work farmed out from the US, processing airline tickets, credit card transactions and other company data.<sup>19</sup> In China, call centres have been set up to handle the growth in paging services in Hong Kong, while Ireland is pitching for call centre work across Europe.<sup>20</sup> In Britain, the freedom of location in call centre work has meant that location has come to be determined by regional accent. Research found that customers responded best to a Yorkshire accent, giving Yorkshire dominance in the industry within Britain.

Because call centre work is mobile, highly routinised and easily monitored, it is well suited to prisons. In the US a number of prisons have been contracted to do call centre work. Another development is

that firms operate networks of call centres across the globe to take advantage of time differences.<sup>21</sup> The possibility of mobility across borders has also been discovered in other services which rely on telecommunications. In Singapore, Malaysia, Sri Lanka, Indonesia and Taiwan, office blocks are linked to staff in Australia who monitor security, air-conditioning, lighting and lifts.<sup>22</sup> Wherever these kinds of outsource work are found they always follow the same pattern: long hours, low wages, non-unionised work forces and job insecurity.

In the computer software industry, the US dominates the world market with a two-thirds global market share. Software firms have exported much of their development work to Asia, in order to take advantage of much lower wages and to make up for the fact that only a third of the world's computer programmers live in the US. Companies like IBM, Microsoft, Oracle, Hewlett-Packard, Novell and Texas Instruments have taken advantage of India's 'liberalisation' policies since 1991 and opened operations in Bangalore and elsewhere in India. Graduates of India's elite institutes of technology and engineering are recruited into the mundane end of the coding business, such as reprogramming older computer systems vulnerable to the year 2000 problem, or reprogramming financial systems to work with the new Euro currency. Salaries start at \$300 per month<sup>23</sup> – a huge wage in India, but a fraction of what would be needed for the same skills in the US. Between 1990 and 1993, \$230m worth of software development took place in Bangalore but, in spite of this thriving business, India's own software companies have failed to gain a foothold even in the small domestic market for business software. And the science graduates themselves who work in Bangalore share one common aim, to work in the US.<sup>24</sup> Increasingly, nations like India, with high levels of education but low wages, will struggle to hold on to their most skilled professionals as US multinational corporations operating within their borders help such professionals move to the States.

Another area in which global networks and differences in wage levels across the world have transformed business is textiles. Sub-contracting of clothes-making by retail chains has long been an established practice, using either cheap Third World labour or migrant labour within Europe and the US. Retail firms have realised that their core value lies in the branding of their products and so have wanted to sub-contract out more and more of the actual production process. Companies like Benetton do not even own any shops, preferring to license the brand name to local franchises. The firm becomes purely a branding and design machine, employing only a core of 'information workers'. Technology aids the stripping down process. Chains of retailers, including Benetton and others in the US, have set up electronic links with clothes-makers in Asia and elsewhere, enabling them not only to place orders electronically, but also to specify design changes in tune with changes in sales patterns. The

finished clothes are priced up and packaged by the manufacturers themselves and delivered straight to shops in the US just three weeks after the order has been placed.<sup>25</sup> With stores also recording stock levels electronically, the whole supply chain becomes automated, and new trends in sales can be spotted and exploited immediately.

Increasingly, the poorest parts of the world are becoming irrelevant to these flows of informational goods, their best hope being to sell their cheap labour in an era when cheap labour is declining in economic value. Survival for these regions depends on their ability to function as part of outsourcing networks, which itself requires investment in technological infrastructure. In Bangladesh, plans are afoot to give villages fibre-optic<sup>26</sup> and wireless<sup>27</sup> links onto the internet, in the hope that the country will become one of the world's leading 'outsources'. The aim is simply to bring the rural poor out of their economic irrelevance.<sup>28</sup>

### **Imperialism and information capital**

The principles of capital accumulation, class division and imperialism remain at the heart of the world economy. Under information capitalism, the surplus emerging from the advanced industrial regions is invested in high-tech innovation, marketing and other sectors of the informational economy which, in turn, give new opportunities for imperialist forays into the Third World. The result is a vicious circle for Third World regions, where the spiralling economic gap between the Third World and the First makes survival more and more difficult. Meanwhile, the international trade organisations stamp on the Third World a regulative environment giving transnational capital total mobility and protection. The last few years have witnessed the beginnings of what is being called a 'global information infrastructure'. Sponsored by the US government and backed by its political muscle, this represents an attempt to establish world economic rules to facilitate free trade in information of every kind. For this to happen, a worldwide legal framework needs to be in force, covering the whole field of broadcasting, internet, telecommunications and intellectual property. In an age of electronically-mediated communication, this amounts to the surrendering of national sovereignty not just in the sphere of economics but also in the sphere of culture.

The growing deregulation of broadcasting and telecommunications over the last decade has contributed greatly to information capital's globalisation. Since 1995, the World Trade Organisation has been effective in 'liberalising' world trade in all services and extending this to the internal markets of nations. Alongside this process has gone the establishment of a worldwide framework of intellectual property law. Multilateral rules and enforcement mechanisms for intellectual

property issues have been brought into force for the first time. Unlike other trading regulations established by GATT which are negative (preventing governments from following 'protectionist' policies), these rules are positive (obliging governments to pursue set, standardised policies). Since Third World nations are net importers of intellectual property, the main beneficiaries of these arrangements have been the wealthy nations whose exports are now more strongly protected.

Meanwhile, the World Intellectual Property Organisation in Geneva has been waging a struggle on behalf of information capital to control the threat of copyright violations made possible by digital technology. Where once counterfeiting was only worthwhile in the luxury goods market, today it extends to music, computer software, videos and consumer electronic goods. The US software industry estimated a loss of \$11.2 billion in 1996 due to unauthorised circulation of PC business software around the world, with just under half of all software in use a 'pirated' copy.<sup>29</sup> Although the majority of loss due to intellectual property 'theft' occurs within the US, the focus of US corporations' efforts against these 'thefts' has been on Third World countries where economically weak governments can be pressurised into taking action. For example, the Philippines government was recently discovered to have illegally copied Microsoft software within its departments, amounting to a loss of \$1 million in revenue for Microsoft. Microsoft agreed to grant an 'amnesty' in return for help in tracking down other illegal circulation in the country. This resulted in unprecedented police raids on schools.<sup>30</sup>

To establish a 'global information infrastructure' will not only require a suitable legal framework, but also development of the Third World's electronic communication infrastructure. Nowhere is this underdevelopment more pronounced than in Africa. Whereas one in six people use the internet in North America and Europe, the figure for Africa is one in 5000. In sub-Saharan Africa, there is one phone-line for every 200 people. The total number of phones in the whole of Africa is less than the number in New York.<sup>31</sup> There have been attempts to address these problems by non-commercial groups like the Association of Progressive Communications and, more recently, commercial investment in Third World information networks has been initiated, based on the calculation that even in the poorest nations there will be sufficient demand within business elites.

Organisations like the World Bank are now shifting their development plans to focus on information infrastructure. They argue that by creating a world market free of trade barriers and by setting up global electronic networks to facilitate the free movement around the world of capital, information and goods (not labour), the poorest parts of the world will benefit through increased access to markets in the wealthy economies.

This idea has also found favour with a number of pundits of digital technology, such as Nicholas Negroponte, founder of MIT's pioneering Media Lab and John Perry Barlow, co-founder of the Electronic Frontier Foundation which lobbies on behalf of the 'internet community'. They argue that increased global networking leverages opportunities for 'latecomers' to skip the industrial age and enter straight into the global electronic marketplace. Barlow is optimistic about Africa's potential:

In an information economy, difference is everything...Africa's strength is difference...Most Africans stayed out of the loop of the 20th century and were not homogenised into the generic that is now much of the Northern Hemisphere...And thus their continent – so intensely different from the rest of the world, so vastly different within itself – represents a huge and still unconnected battery of stored potential. All it would take for Africa to leapfrog into the wonderland of an information economy would be to attach the electrodes – get it wired, in other words – and then watch its huge voltage zap the gap.<sup>32</sup>

So, ironically, Africa's unique selling point is that of a culture untouched by economic development. In this vision, the efficiencies of horizontal and vertical integration which support a world economy dominated by multinationals are being undermined by new technologies which favour a return to craft or cottage production and, correspondingly, a decline in mass consumption culture in favour of a post-Fordist era of differentiation and individualism. This is thought to offer an opportunity for 'latecomers' to take advantage of their lack of industrialism.

But, as we have seen earlier, the rise of information capital leads to a greater drive for volume, not less. This is because the cost of research and development, marketing and creativity, in short the investment in intellectual property, is high and the marginal costs of extra units of a product already developed are low. Multinationals are best placed to take advantage of this cost structure. Where there has been a rise in small firms (for example in Silicon Valley, California) this has been because innovation and creativity have been found to be more easily fostered in small organisations. Silicon Valley has been successful because it has been able to combine the advantages of small organisations with the essential backing of multinationals, which provide the huge investment funds, the marketing muscle and the worldwide distribution channels. These small firms are organisationally separate, but economically dependent on corporate giants. There has certainly been no trend towards an era of small firms which would better approximate to the classical economic model of perfect competition. In fact, as described earlier, the opposite has been the case with a greater

amount of inter-firm alliances. Much of the celebration of post-Fordist cottage production is an idealisation, which has its roots in the ideology of information capital.

What is becoming clear is that intellectual property ownership and control of the networks through which this intellectual property passes are becoming the two main pillars of economic power under information capitalism. On both these counts, the situation of the Third World is worsening. With regard to ownership, the Third World currently owns just 1 per cent of world patents.<sup>33</sup> However, this figure obscures another trend – the appropriation by multinational corporations of intellectual property which the Third World does own. Corporations are increasingly looking to patent drugs and agricultural products derived from traditional Third World systems of knowledge, such as plant-based Chinese and Indian medicines.<sup>34</sup> This process takes advantage of the fact that non-western knowledges are not recognised by patent offices, but are nevertheless highly useful. A similar process is occurring across the transnational seed industry. For example, a recent case saw US grain corporations attempting to establish ‘Basmati’ as their own trademark, thereby encroaching on India’s export markets. Global intellectual property rights are allowing transnational corporations to claim ownership of the Third World’s agricultural heritage and then sell it back to the Third World at a profit. Eventually, rising prices could put this heritage out of reach of its original innovators.<sup>35</sup>

With regard to control of the information networks, the rushed ‘liberalisation’ of Third World broadcasting and telecommunications, along with new technological developments, have seen these networks fall into the hands of corporate giants. For example, in India until 1991, the state-run television service, Doordarshan, enjoyed a monopoly on Indian television and used this monopoly both to promote the political interests of central government, and to impose strict limits on advertising. But the availability of cheap satellite technologies in the early 1990s coincided with the liberalisation of India’s economy from 1991. Satellite technology made it possible for foreign firms to broadcast into India from abroad and target the growing numbers of middle-class beneficiaries of economic liberalisation. By the end of 1992, Doordarshan was faced with competition from Zee TV and Star TV, based in Hong Kong. Within a year, both services attracted the attention of Rupert Murdoch, keen to exploit the huge potential growth of India as a market for consumer goods.<sup>36</sup> In the space of a few years, television shifted from state control to control by transnational capital.

### **The ideology of information capital**

The main plank in the ideology of information capital is the belief in an information market-place, in which, in the absence of artificial

distortions, an invisible hand automatically selects the best information. Conveniently, when information is organised as commodities, the invisible hand of the information market-place and the invisible hand of the real market-place work as one, arranging the production, distribution and consumption of ideas, knowledge and culture according to the laws of perfect competition. Or, as the slogan goes, 'information wants to be free'. This is an ideology which has come to us from nineteenth-century ideologues of the free market such as J.S. Mill, via the hippy movement of 1970s California. As the 1970s generation of hippies grew older, they refined their critique of the state, big business and the military industrial complex into a critique of secrecy and the artificial distortion of the natural tendency of information to flow. Meanwhile, microcomputer technologies which blossomed in the 1970s showed how an alternative information network might be able to bypass big brother. The internet itself was taken out of the military sphere in which it was first developed, and turned into an open and, initially, non-commercial public information system. (It is the momentum of this movement which, amongst dissidents in Serbia and China, is giving the internet a similar role to that played by television in the campaign against the Vietnam war.<sup>37</sup>)

As some of these ideas were also the foundation of potentially successful businesses, people like Apple-founders Steve Jobs and Steve Wozniak and, too, Bill Gates – the high-school drop-outs building revolutionary new technologies in their garages – began to emerge as the figureheads of a new, more dynamic, supposedly decentred mode of capital. Others held onto a scepticism about the market and produced a whole culture of non-commercial software. Most of the software which makes the internet work is not commercially owned but has been developed collectively by enthusiasts. 'Linux', a computer operating system, has been produced in the same way and is referred to as 'socialist software' in India.<sup>38</sup> This anti-market strand of computer culture has also developed the notion of 'copyleft' as an alternative to 'copyright' to encourage socially-owned production in the field of software development.

However, as the microcomputer and software industries have come to be one of the most profitable sectors of capitalism, the anti-market element has faded into the shadows. Gradually the internet is moving away from its not-for-profit origins and is becoming a vast electronic transaction system, spreading through the homes of the world's most affluent consumers. Coinciding with the globalisation of capital, the internet, for some, seems to augur a new dawn, in which everyone has an equal chance to open their 'shop' on the worldwide web; in which the brutalities of the factory floor are to be replaced with small-scale cottage-based cultural production and nation states will be powerless to impose taxes on internet purchases. Meanwhile, the



world financial markets will offer a daily plebiscite on the actions of every government.

On this view, the world has become decentred. Historical divisions based on race, class and nation are supposedly undone by electronic communication, given the possibility of hiding one's identity behind a screen and a keyboard. All that is left is a struggle by each new generation to apply the empowering potential of digital media.<sup>39</sup> However, the internet offers contradictory possibilities, reflecting the contradictions of the hippy movement from which it originated. One indicator of the American dominance of the internet is that, according to some estimates, 90 per cent of communication on it is in English.<sup>40</sup> In fact, if a resident of California wanted to use any other language, he or she would be better off talking to someone on the street than logging onto the internet, given that soon English will no longer be the majority first language there. So much for the globalism of the internet. Furthermore, it is clear that the so-called 'virtual communities' of the internet do not offer a stronger social bond than older social affiliations.<sup>41</sup> The internet does not offer a new public sphere of democratic debate, for the simple reason that there is no obligation on anyone to be accountable. Social contest is not resolved in cyberspace, but merely ignored. As Kevin Robins has put it, ultimately, this is 'not an alternative society, but an alternative to society'.<sup>42</sup>

### **Politics under information capitalism**

In a well-known argument, Jürgen Habermas contended that the system of market exchange has gradually destroyed European civil society, culminating with the mass media of the twentieth century.<sup>43</sup> Where once the market was a system of distribution overlaid on top of an existing cultural sphere, where debates were made public and new ideas were formed, now the distribution system has itself turned back on that sphere and transformed culture in its own image. If, as Cabral remarked, culture used to be 'the seed of opposition' against imperialism,<sup>44</sup> today culture is becoming privately owned by multinationals. This process has happened at different speeds in different places, but has accelerated rapidly over the last twenty years, especially in the Third World, with the conjunction of electronic communication and information capital. The decline in civil society means there is no longer an institutional context where democracy can function effectively. The so-called bourgeois freedoms of speech and assembly, free press, universal suffrage and the norms of accountability, responsibility and debate which make up the public sphere were 'wrought in the white heat of battle between capital and labour'.<sup>45</sup> The more the bargaining power of labour with capital declines, the more these norms become vapid. The public value of truth has been diminished, and politics becomes reduced

to spectacle. For this reason, the information age is really an age of disinformation.

Without a strong civil society to ground it, the nation state becomes caught up in informational flows around the globe and is no longer seen as a forum for popular sovereignty. Political parties become virtual structures without an organic connection to class interests or social groups. Without leadership from either a political party or a class of intellectuals nurtured in an active civil society, opposition to information capital takes a variety of forms. These range from reactionary flights into ethnic and religious nationalisms (a return to the supposed certainties of the *ethnos* in the face of an increasingly mediated world), to local campaigns using the internet to coordinate globally on parallel issues. Contests over the ownership of culture are emerging as a major arena of struggle. This is because a central aspect of information capitalism is the accumulation of hitherto socially-owned knowledge, culture and information in the hands of private corporations, whence they are repackaged as informational goods and sent around the world through the networks of information flow. These struggles do not simply involve an opposition between Third World tradition on the one hand and western modernity on the other. The key issue is between social ownership of cultures and their development versus private ownership.

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# Journal of Ethnic and Migration Studies (formerly New Community)

## EDITOR

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*New Community* will enter a new phase of its life with the first issue of Volume 24 in January 1998. The journal will be re-titled to become the *Journal of Ethnic and Migration Studies (JEMS)*. The change has become necessary because many of the journal's readers and potential readers find difficulty in associating the current title with its content. It must be stressed, however, that *JEMS* is not a *new* journal; it will incorporate and extend *New Community's* scope, and build upon its success.

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# Biotechnology under globalisation: the corporate expropriation of plant, animal and microbial species

Human society is currently passing from the end of the industrial revolution to the first stages of the technological revolution. One clear expression of this transformation is the leap in electronics and computer technology which is revolutionising both production and communication.<sup>1</sup> A second expression is the emergence of biotechnology as a major factor in pharmaceutical and agricultural production.<sup>2</sup> Biotechnology represents a) a new manufacturing technology for commodities previously available only by isolation from plants, animals or microbes, and b) the means to modify the genomes of living organisms so that the changes are propagated in subsequent generations. This vast acceleration of organic evolution has the potential to generate qualitative changes in the Earth's organisms and their interactions with each other and the ecosystem. The same technology applied to the human species can be used to modify the genome of humans, the aspect that frequently dominates news stories and popular imagination.

A less visible, but equally profound and disturbing, feature of the biotechnology revolution is its coupling to the corporate expropriation of agriculturally important plant, animal and microbial species: the extension of private ownership from individuals of the species, to all organisms of that type. Thus, Monsanto has US patents on all genetically modified cotton plants and all their progeny and, in Europe, patents for all genetically modified cotton and soybean plants.<sup>3</sup> The

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patents held by Myriad Pharmaceutical in California on genes damaged in breast cancer cover those genes derived from any and every human being. The patents filed by the Roslin Institute, which financed the cloning of Dolly the sheep, extend to all mammals produced anywhere by a similar cloning process. A United States firm, Rice-Tec, Inc., has recently been granted a patent (US patent 5,663,484) on basmati rice that is grown anywhere in the western hemisphere.

This privatisation of organisms and their progeny poses a new class of dangers to the world food supply. Similar factors underlie the rising costs of the new drugs and therapies that derive from the integration of biotechnology into the pharmaceutical industry.<sup>4</sup> A number of important recent books explore the background of these changes, including Vandana Shiva's *Biopiracy*, Sheldon Krimsky's *Biotechnics and Society*, Krimsky and Wrubel's *Agricultural Biotechnology and the Environment*, Ruth Hubbard's *Exploding the Gene Myth* and Jeremy Rifkin's *The Biotech Century*.<sup>5</sup>

### **The self-reproduction of organisms**

The enormous productivity of conventional agricultural production is often taken for granted. One kernel of corn, planted in the early spring, yields a stalk ten feet high with tens of ears and tens of thousands of kernels by the summer. This reflects the self-reproducing capacity of living cells and organisms, an aspect not duplicated by even the most sophisticated electronic devices. If we inoculate one bacterial cell in a flask of beef broth in the morning, by the evening the flask will contain 5 billion cells. By increasing the volume of the vessel, enormous quantities of highly organised cells and their products can be generated from very simple starting materials. This productivity is not limited to plants and bacteria. One biotechnology strategy exploits the capacity of mammals to produce milk proteins; for example, Genzyme Transgenics has spliced into goat cells the human gene specifying blood clotting proteins – found in minute quantities in the blood. The resulting transgenic goats can generate large amounts of these otherwise rare proteins in their milk. Biotechnology permits the harnessing of the self-reproducing capacity of organisms to the production of a vast variety of foodstuffs, medicines and fibres. The manufacturing component will eventually allow the production of biological devices in place of mechanical/electrical.<sup>6</sup>

The application of biotechnology under fully democratic social and economic conditions would permit significant increases in productivity of food and other commodities, as well as major advances in the diagnosis of disease and the development of new therapeutic regimes. Unfortunately, the impact of biotechnology in the globalised capitalist economy is unlikely to realise this potential. Pharmaceutical,

agricultural and biotech firms are moving aggressively, under the guise of free trade agreements, to privatise human animal and plant genomes, useful cell lines and agriculturally important crop plants and livestock. This effort to privatise life forms through the extension of patent protection represents a qualitatively new form of the private appropriation of social resources. The resulting distortions of agricultural and health care development are likely to bring the world's peoples increased risk to habitat, health and food supply.

### **Historical patterns of ownership of plants and animals**

Farmers have historically owned the cattle, pigs and soybeans they raised themselves, but no farmer owned the rights to the entire species, the ability to prevent others from raising the same stock. Large corporations may try to corner the market on distribution by buying up the crops of small producers, but until recently they have avoided the business of growing the crops themselves, or of owning the primary yield.

Goodman and Redclift have described clearly the inability of British capital to establish industrial organisation patterns of ownership and exploitation in primary agricultural production.<sup>7</sup> The uncertainties of biological and ecological processes, which depend on variables outside of industrial control – weather, disease and drought – made it very difficult reliably to extract surplus value from the growth of crops. In addition, it was difficult to control and limit production by others, given the widespread dissemination of agricultural knowledge and increasing acreage of arable land, both in the UK and abroad. By the 1870s, large capitalists had begun divesting themselves of the attempt to extract profit from agricultural production, and concentrated on processing, transport and marketing aspects.

For the world's major crops, whether rice, corn, wheat, potato or cassava, primary production is still carried on by large numbers of small producers. Even in the fully industrialised US grain belt, the large commodity trading corporations such as Archer Daniels Midland or Cargill have stayed away from owning the farms directly.

This inability to industrialise primary production remains true in the most vertically integrated sector of the agricultural economy, livestock production. Although a very small number of corporations control the feedlots, slaughterhouses, processing, packaging and distribution, they eschew ownership of the steers on the hoof or the chickens in the bins.

Thus, at present, despite global grain, corn, beef and fruit markets, the primary agricultural production pattern is not dominated by large corporations. One consequence of this maintenance of food production (as opposed to processing and distribution) outside of monopoly ownership has been the inability of corporate grouping to raise the price

of food crops as a source of super-profits. Much more frequent has been collusion in keeping prices paid to the farmer low for both crops and livestock. Goodman and Redclift argue that food prices have historically been kept down as a means of maintaining social stability, keeping pressure off wages of industrial workers, in part through state intervention in support of agricultural production.<sup>8</sup>

New efforts to privatise primary ownership of agriculturally important plants and animals are now underway as a consequence of the biotech revolution. The current privatisation of crop species themselves and prospects of monopoly control of food production are taking place through the integration of seed companies, agrochemical industries and pharmaceutical and biotechnology companies, supported by radical changes in patent laws in the United States, and the international extension of US-style intellectual property protection through the General Agreement on Tariffs and Trade (GATT) and the recently formed World Trade Organisation (WTO). Though these changes are enabled by the advances of biotechnology, they follow from the capitalist organisation of food production in a globalised economy, and not from any technological or scientific imperative.

### **The impact of genetic engineering and biotechnology**

The evolution of the extraordinary diversity of living creatures involved their segregation and separation into distinct species. Genes are the blueprints which specify the structures of the large molecules that form the living cells of organisms. Until recently, the exchange of genes between unrelated species has been limited by the biologically-evolved barriers to gene exchange that are necessary for the formation of species. Thus, in the normal course of evolution, the genes of corn do not mix with the genes of cows since these organisms neither mate with each other nor have other efficient means of recombining their genetic material. This separation or reproductive isolation means that corn plants produce kernels and cows produce milk proteins. Prior to the biotechnology revolution, it was not possible to tap the capacity of either organism to produce other foods or materials.

Genetic engineering technology has now made it possible to cross these barriers so that the proteins of animals can be produced in plants and plant proteins in animals. Genetic engineering permits the isolation of genes from almost any organism – humans, clams, oak trees, rattlesnakes – and their splicing or transfer into the genetic apparatus of other organisms. Human insulin is now produced in bacteria. Cows, goats, sheep and pigs are also being modified genetically to produce a whole variety of human proteins.

The information stored in genes is in the form of a linear sequence of the nucleotides that are linked together as long polymers to form DNA



or its cousin RNA. The sequence along the gene specifies the sequence of amino acids that will be linked together to form the protein molecules that are the building blocks and machinery of cells. The identification of the nucleotide sequences of genes and the amino acid sequences of their encoded proteins is proceeding at an extraordinarily rapid pace. This has been sharply accelerated by the human and other genome projects.

Many applications of biotechnology proceed in two stages. The first is the isolation of DNA from the cells of an organism, and the determination of the nucleotide sequence of particular regions of that DNA that represent genes. US and European patent offices have been granting patents on such sequences since the Chakrabarty decision (described below). The second stage is the introduction of these genes into cells of different species, or the modification of the genes and reintroduction back into the original species. In these cases, the living organisms have been genetically modified, providing one of the legal arguments for patentability – novelty. If the germ cells that provide the sperm or eggs for the next generation are modified, then the progeny of the original individual will also carry the modification. These are referred to as transgenic organisms.

For pharmaceutical production technology, the most useful hosts are presently single-cell organisms which can be grown in a vat, such as bacteria or yeast, or cells isolated from higher organisms, but grown outside the body. Such cells reproduce by relatively simple cell division or budding processes. In agribusiness, the hosts for foreign genes are usually crop plants. In biomedical research and pharmaceutical development, transgenic mice, hamsters, goats, pigs and other animals are generated.

The production of human insulin provides a useful example of the early application of biotechnology to the pharmaceutical industry. From 1930 to 1985, to provide enough insulin for the millions of insulin-dependent diabetics, the pancreases of steers and hogs in the slaughterhouse were cut out of the carcasses. From hundreds of thousands of pancreases, the islet cells, representing less than 1 per cent of the tissue mass, were dissected out and then diced up and the insulin isolated in a multistep process that, nationwide, required thousands of workers.

Through the application of genetic engineering technology (often called recombinant DNA technology), the gene for human insulin has been spliced into bacteria. These cells are grown in 10,000 litre vats and produce 20 per cent of their mass as insulin. One Eli Lilly plant in Indianapolis produces sufficient human insulin for most of the US population of diabetics. Harnessing the intrinsic reproductive capacity of living organisms means there is no scarcity of insulin in the US or in the world. However, prices have not dropped significantly to reflect the new abundance. High prices have been maintained by a variety of

barriers giving monopoly-like control of the market; one of these barriers is patents on the gene sequences.

### **The extension of patent law to living creatures and their components**

A patent allows the owner to prevent others from using or benefiting from the patented invention, process or construct of matter without permission and without compensating the holder. When the patent is over a form of information, such as is encoded in human genes, the holder can prevent others from using this information. US patent law, by granting a monopoly for twenty years to the patent holders, allows a company to prevent other efforts to produce or utilise the 'invention', even if for medical purposes or human welfare. Most people associate patents with true inventions of machines, novel processes or chemical reactions. Over the last decade, private corporations have moved to extend the monopoly of ownership and use inherent in patents to genes, proteins, cell lines and even strains of organisms.

The breeding, selection and manipulation of species of plants and animals dates back to the domestication of plants and animals and to the origin of agriculture. Financial speculation and corporate development of plant varieties were already well developed in the fifteenth century, as evidenced by Dutch investments in novel tulip strains. Though the contributions of breeders were recognised, these improved strains were not considered to be human inventions in the same sense as manufactured devices. Animal and plant species were excluded from the coverage of British and European patent law.

The key modern efforts to profit from direct ownership of plant germplasm, rather than distribution of the product, began in the 1920s with privatisation of seed production and distribution in the grain belt of the US.<sup>9</sup> This led to the proliferation and growth of seed companies such as Pioneer Hi-Bred, DeKalb Genetics and Funk Seeds. The best known innovation of this period was the development of hybrid corn. Hybrid corn is often presented as an advance of agricultural science. In fact, since the offspring of hybrid corn are not as productive as the parents, to obtain consistent high yields farmers need to purchase seed yearly from the originating companies. The switch to hybrid varieties displaced traditional varieties and rendered farmers more dependent on seed companies for next year's crop.

Though successful and profitable, the seed companies were not able to keep other firms from developing hybrid strains and the market was divided. To try to gain monopoly control, seed companies and plant breeders joined efforts to obtain patent protection for certain food and ornamental plants in the 1920s. These efforts encountered resistance from farmers and consumers, leading to a compromise in which there was registration and copyright-like protection for ornamental plants

and grafted fruit trees – the Townsend-Purnell Plant Patent Act of 1930. This legislation did not bring agricultural products under the existing patent laws but extended copyright protection to certain asexually reproduced plant varieties. A second effort occurred in the 1960s, leading to the Plant Variety Protection Act of 1970, which further extended plant breeders' rights but still kept plants outside of conventional patent law. Recent amendments have continued to erode farmers' rights to save and plant seed.

Similar legal changes were instituted in Europe. In 1961, pressure from seed companies led eight European nations to form the International Union for the Protection of Plant Varieties (UPOV). This was an effort to stiffen domestic plant variety protection laws among the signatory nations, on behalf of Europe's professional breeders. One particularly insidious aspect of these laws in a number of European states is national registration requirements, which make it illegal to plant seeds of varieties that are not registered, driving the farmer into further dependence on commercial varieties.<sup>10</sup> But the protection afforded by the various regulatory regimes to the 'owners' of varieties was less than that accorded to holders of traditional utility patents, and the seed/biotechnology industry continued to press for more comprehensive intellectual property protection for engineered plants.

US patent laws were originally written by Thomas Jefferson. Jefferson was an active plant breeder and corresponded with leading breeders in Europe. Nonetheless, the patent laws, as developed by him, excluded animals and plants from their coverage.<sup>11</sup> Jefferson was clear that patents were a form of monopoly. The new nation had come into existence in part because of the recognition of the noxious aspects of monopoly practices. Jefferson believed the importance of the patent laws lay not in the generalised protection of private property, but in the limited and specific purpose of ensuring that creative and inventive individuals were able to make a living from their work, and thus continue to contribute to society. He wrote that whenever this monopoly was contrary to the public interest, the public interest would take precedence.<sup>12</sup>

This two hundred-year-old legacy was breached in 1980 with the granting of patent protection for a genetically engineered bacterium by the US Supreme Court in *Chakrabarty v US Patent and Trademark Office*.<sup>13</sup> The decision was very close (five to four) and was narrowly constructed with respect to genetically modified micro-organisms. But it opened the flood gates, and soon Harvard Medical School scientists applied for, and were granted, a patent on a genetically modified mouse. Since then, US, British and European patent offices have issued thousands of patents on genes, plants, animals and even human cell lines. In the US, this process was carried on outside of public perception through the procedures of the Patent and Trademark Office. The transformation has never been addressed by the US Congress. Opposi-

tion has been much more developed in Europe, South-east Asia and South America (see below).

The ability to modify organisms' genes, together with legal changes that extend patent protection to such modified organisms, has opened up the possibility of the ownership of entire species – not merely the individuals but all their progeny. Drug companies own patents on human cell lines and on thousands of human genes. Genentech owns patents on a variety of important human growth factors; Sequana Therapeutics has filed for patents on the cells and genes of indigenous tribes in New Guinea. Eli Lilly company owns the patent on the human insulin gene. They have the legal right to prevent other institutions (including non-profit organisations) from using the information in these genes for producing the corresponding proteins. Thus, though the technology for isolating the human insulin gene from human cells (skin, blood etc.) is widely distributed, anyone trying to produce insulin would be subject to infringement suits. Hundreds of millions of dollars' worth of such suits are brought regularly within the biotechnology industry as companies jockey for control of the patents.<sup>14</sup> Perusal of issues of *Biotechnology* or other trade journals reveals the aggressive nature of the industry in protecting its intellectual property patents.

### **Biotechnology and corporate control of food production**

A key component of the development of agriculture some 10,000 years ago was the recognition that seed from one season's crop needed to be saved and planted to generate the next season's crop. Plant patenting means that any farmer who grows a genetically-engineered crop, saves seed from the crop, and plants saved seed is guilty of patent infringement. The saving of seed is, of course, normal farming practice throughout most of the world. Transnational 'life science' firms, as they like to call themselves, would like to curtail this practice. In the United States, Monsanto has used a combination of a legal contract with the farmer and patent protection to make sure that farmers pay it royalties on its genetically engineered varieties every single cropping season. Around one hundred farmers who saved their genetically engineered seed last year were prosecuted by Monsanto.<sup>15</sup>

Policing intellectual property infringement at the international level is costly and difficult; some companies have been looking for biological means as well to protect their 'inventions', and appropriate more of the agricultural surplus. United States Department of Agriculture (USDA) scientists, working with Delta and Pine Land, the world's largest cotton seed company (now owned by Monsanto) have developed genetically modified crops whose seed can be eaten, but cannot be propagated. The Rural Advancement Foundation International (RAFI) is calling this gene package 'the terminator'.<sup>16</sup>

The lead scientist, in quite patriotic fashion, claims that his main reason for working on the 'terminator' project is to protect American inventions abroad. Says primary inventor Melvin Oliver, of the USDA:

My main interest is the protection of American technology...The need was there to come up with a system that allowed you to self-police your technology, other than trying to put on laws and legal barriers to farmers saving seed, and to try and stop foreign interests [read foreign farmers saving seed] from stealing the technology.

The targets of this technology are none other than the farmers of the developing world. According to Willard Phelps, spokesman for the USDA, the goal is 'to increase the value of proprietary seed owned by US seed companies and to open up new markets in Second and Third World countries'.<sup>17</sup>

### **Use of trade agreements to globalise intellectual property rights**

After the domestic court decisions legalising life patenting, the pharmaceutical and agrotechnology interests mobilised the United States government to export its intellectual property system to the rest of the world, by having it included as a side agreement to the General Agreement on Tariffs and Trade (GATT). Corporate leadership was provided by the self-selected Intellectual Property Committee, consisting of Bristol-Myers, DuPont, General Electric, General Motors, Hewlett Packard, IBM, Johnson and Johnson, Merck, Monsanto, Pfizer, Rockwell and Time-Warner.

During the Uruguay Round of GATT, US negotiators put a proposal on the table for the expansion of GATT's scope to include, *inter alia*, intellectual property rights (IPR). These had formerly been dealt with at the international level within the United Nation's World Intellectual Property Organisation. But the United States has always had much greater international influence in the less democratic international institutions, such as the UN Security Council, the Bretton Woods institutions (the World Bank and the International Monetary Fund) and GATT. And, by bringing intellectual property into GATT (which has been turned into a formal institution, the World Trade Organisation), and thereby linking the previously distinct areas of trade and intellectual property protection, the US could legitimise its practice of imposing economic sanctions on countries whose intellectual property regimes do not 'effectively' protect the intellectual property of US firms.

Intellectual property rights over life forms have been inserted into GATT in the side agreement on Trade-Related Aspects of Intellectual Property Rights, or the TRIPs agreement. This requires countries to develop national legislation establishing the patentability of micro-organisms, but not plants or animals. Plants must be covered by some

type of intellectual property protection, though not necessarily utility patents (as in the United States) which afford the greatest amount of monopoly protection to the companies that hold the patents. However, US negotiators, responding to agribusiness pressure, will seek utility patent protection for plants during the forthcoming 1999 review of the TRIPs agreement.

Until recently, in Brazil, India, Canada and other countries, production of pharmaceuticals and medicinals has been protected from interference by patent monopolies. New power acquired through the TRIPs agreement has made it possible for the US to pressure these countries for domestic changes. While there are clearly reasons why nations would want to protect sectors so important to public health from the pharmaceutical monopolies, US trade officials use the TRIPs agreement to intrude on these domestic decisions. Ironically, the forcing open of domestic policies to international dictates closes off the sectors to monopoly arrangements.

### **From plant patents to agricultural monopolies**

Obtaining patents on genetically modified organisms is only the first step and certainly does not by itself guarantee monopoly control of the organisms. The conventional strains have to be displaced or competition from them limited. This type of displacement has been well documented in the case of hybrid corn and the rice strains associated with the Green Revolution.<sup>18</sup> It is not possible to predict the paths that agribusiness will take in this new phase of displacement, but in a number of markets the initial shape of the campaigns can be glimpsed. Krimsky and Wrubel have analysed the development and marketing of Monsanto's Round-Up Ready Soybean.<sup>19</sup> These soybeans have been engineered to be resistant to the chemical herbicide Round-Up, so that higher levels of the herbicide can be applied to fields. In recent years, applications have averaged 500,000,000 pounds a year, a staggering level. More than 90 per cent of soybean, corn and cotton acreage are treated with Round-Up as well as 50 per cent of wheat. Given the accumulation of herbicide residues, it may not be difficult to convince farmers that they need Round-Up resistant seed or, in fact, to create a situation where this is true.

The recent introduction of boll weevil-resistant cotton 'Bollgard' provides another example. Monsanto played on farmers' fears of boll weevil infection. Some 2.5 million acres were planted with this genetically engineered patented cotton variety in 1996.<sup>20</sup> Ironically, a major boll weevil outbreak occurred in 1997, and the 'resistant' cotton proved relatively susceptible, setting back Monsanto's strategy. However, it is likely that this setback is only temporary. Krimsky and Wrubel identify some twenty agrotechnology firms engaged in the

development of herbicide resistant crops. Patents will be granted on many of these genetically engineered varieties.

Given the penetration of the market by patented strains, it is not difficult to imagine circumstances where dependence develops, allowing sharp increases in the price of the patented varieties.

### **Economic restructuring of agricultural transnationals**

Evidence of the significance of plant IPR to capital can be seen in the massive buy-outs of seed firms by transnational agrochemical companies, starting in the 1970s. If the only value in the seed were its present exchange value, the large transnationals would not be racing to purchase seed companies. This trend continues with recent acquisitions of major seed companies by firms like Monsanto. Over the course of the last few years, Monsanto has spent no less than \$6 billion in acquisitions, buying one of the world's largest cotton seed companies, the world's eighth largest corn seed company, Cargill's international seed division, and the former British Plant Breeding Institute (auctioned off during Thatcher's reign and a leading wheat seed repository).<sup>21</sup> Monsanto is now the second largest seed company in the world.<sup>22</sup> It is estimated that Monsanto and DuPont alone now control half of the US soy and corn markets; Monsanto currently controls 85 per cent of the US cotton seed market.<sup>23</sup> Through other recent acquisitions, Monsanto has garnered 30 per cent of the maize market in Brazil and 40 per cent of the Argentine market. Mergers and alliances between these already colossal companies are also taking place, such as the \$34.4 billion acquisition of Monsanto by American Home Products/American Cyanamid.

The patents make the seed companies more significant investments. Through the buy-out of an arm of W.R. Grace, Agracetus, Monsanto has patents on all soybeans (except in the United States) and all cotton that will be genetically engineered during the next decade and a half. By owning the largest seed companies, biotechnology firms like Monsanto will, in the near future, have an enormous amount of control over what crop varieties will be sold – all over the world. By holding the patents on the crop seeds being sold, the firms will have control over how much farmers will pay for those seeds, and how often they will have to buy seeds.

These same companies also tend to be involved in pharmaceuticals as well. The merger of American Home Products and Monsanto created the largest agrochemical firm in the world, as well as the world's fourth largest pharmaceutical firm.

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### **Consequences for the developed and the developing world**

For most farmers, seed is not something that is bought, but something that is created by use of the natural resources of water, soil and sun, with the addition of farmer knowledge. The seed is a means of production, a means to produce more seed. In addition, the seed is a means of reproduction, for the fruit of the seed is the sustenance of the farmer and his or her family. Intellectual property rights have the potential to rob peasants of their livelihood, for patents place monopoly control over that essential aspect of material reproduction: the seed. It will be a serious intrusion into the life of the rural agriculturist if, by biological or legal mechanisms, he or she is to be forced into the seed market every year.

The international laws that facilitate capital's control over the seed may also lead to the appropriation of the culture of farming communities. Basmati rice and jasmine rice are integral to the culture and agriculture (including export agriculture) of India and Thailand, respectively. Recall the patent granted to Rice-Tec, Inc (US patent 5,663,484) on basmati rice that is grown anywhere in the western hemisphere. Not only has the genetic information been claimed, but also the name and the cultural significance. Not long after the patent was granted, a trademark was granted for the name 'jasmati', to be used on a type of jasmine rice.<sup>24</sup>

The knowledge and culture, and here the two are inseparable, that have developed these varieties of rice have been stolen. In the jargon of the biotechnology industry, this knowledge has been acquired through 'bioprospecting'. Peasants and non-governmental organisations have another word for this acquisition, which they see as illegal. They call it 'biopiracy'.<sup>25</sup>

### **Impacts of biomedical patents**

The initial extension of patent law to gene sequences and cell lines was driven by the pharmaceutical market.<sup>26</sup> Since competition is suppressed through patents, new drugs and diagnostics can be sold at inflated prices. This is one of the reasons that the new therapies derived from biotechnology continue to be expensive, despite the leaps in productivity available through biotechnology.

An additional but less visible effect following from the patenting of genes and cell lines is the distortion in the priorities of biomedical research and the health care system.<sup>27</sup> Profitability depends on selling a product that is protected by intellectual property laws. However, in many cases the key public health step is to identify the aetiology of the disease and prevent it; for example, by identifying carcinogens and removing them from the ecosystem. But this is not compatible with securing super-profits by selling people with cancer a palliative or



therapeutic drug. Thus, Myriad Pharmaceutical could use its breast cancer gene technology to identify environmental or occupational carcinogens that cause the damage found in the genes of individuals with breast cancer. Instead, it is using its technology and patent rights to sell a diagnostic test which informs the individual how much damage has already occurred in their genome. Exploiting patents requires selling consumers a product, not keeping them from contracting disease.

The profitability of the insulin market is dependent on millions of people being affected by the disease. Despite the very large biomedical research community focused on diabetes, research on what causes the damage to the insulin-producing or sensing cells is limited. Yet there are a flood of studies on managing the patient in terms of diet factors, genetics and behaviour. These distortions represent insidious long term economic influences on the medical community, rather than the limitations of biomedical science.

Contrary to the claims of patent lawyers, patenting retards progress in biomedical research, introducing secrecy where openness is essential, and slows the publication and sharing of important results. Once a result is reported publicly, it cannot be patented.<sup>28</sup> Thus researchers drawn into the web of the patent process do not report their results, even informally, until they have successfully passed through the slow, expensive patent application and granting process. Some of these barriers have recently been explored by Heller and Eisenberg.<sup>29</sup>

Corporations claim that, without patent protection, important technologies will not be developed. In fact, what patent protection ensures is not technological development, but super-profits. Patents are as often used to prevent the development of new technologies as to exploit them. The role of patents as a mechanism of monopoly pricing rather than technology development has been described in a number of sectors of industry, including antibiotics.

Corporate interests argue that venture capital is harder to raise in the absence of patent protection. In those cases where a therapeutic development is not going forward because of problems in raising capital, though, the capital can be raised through public agencies. For example, vaccines for humans have often been avoided by the pharmaceutical industry, since a few doses provide protection for a lifetime, and liability issues can be serious. In contrast, many firms produce agricultural vaccines for cattle, sheep and pigs since these are slaughtered each year, and new populations are grown up requiring vaccination in turn – a much more profitable market. In such cases, the public sector is fully capable of filling the gap. The US Center for Disease Control oversees the production of a number of vaccines, and the National Institute of Health brought the anti-tumour agent, taxol, into production as an experimental drug before the pharmaceutical industry recognised its market potential.

### **Resisting corporate ownership of life forms**

In Europe, South-east Asia and South America, there are significant social movements opposing life patents. Dramatic public demonstrations occurred in India in response to W. R. Grace's obtaining patents on the Neem tree, and these were followed by a vigorous battle in the Indian upper parliament to resist the GATT intellectual property requirements.<sup>30</sup> Peasant farmers are struggling to maintain control over the material basis of their livelihood, the agricultural crop plants on which they depend. They are also struggling to maintain control over their culture, as represented in the knowledge of producing and using rice.

It is from these farming communities of the world, in particular in the developing world, that much of the resistance is emanating. At the Second Ministerial Conference of the World Trade Organisation in Geneva, peasants from a global movement called *Via Campesina* were in attendance. Their press release, issued at the Ministerial Conference, stated:

The *Via Campesina* is demanding... governments and... international institutions... prohibit biopiracy and patents on life (animal, plants, parts of human body) including the development of sterile varieties through genetic engineering.<sup>31</sup>

Some of the strongest resistance to life patents has come from indigenous peoples. Because of their potential genetic uniqueness, they have been the brunt of much poking and swabbing, for blood and cells. And the cells of a number of indigenous individuals have been patented – by the United States Department of Commerce. The 'Declaration of Indigenous Peoples of the Western Hemisphere Regarding the Human Genome Diversity Project' has a worldview clearly different from that of the officials in the US Patent and Trademark Office:

We oppose the patenting of all natural genetic materials. We hold that life cannot be bought, owned, sold, discovered or patented, even in its smallest form... We denounce and identify the instruments of intellectual property rights patent law... as tools of legalized western deception and theft. We denounce all instruments of economic apparatus such as NAFTA, GATT and the World Trade Organization (WTO) which continue to exploit people and natural resources to profit powerful corporations assisted by governments and military forces of developed countries.<sup>32</sup>

The European Parliament, responding to the initiatives of the Greens, refused to accept patents on genes. The first vote on such legislation a few years ago ended in a decision against patents on life. Only the full mobilisation of pharmaceutical and biotechnology forces in 1997 led to the defeat of this effort.

As noted above, in 1999 there will be a review of the TRIPs agreement within the WTO, specifically to revisit the provisions that exempt plants from utility patent protection. Developed countries, led by the United States, will attempt to insert a form of words requiring member states to grant utility patents on plants. There will be a significant amount of resistance to this attempt, at both the governmental and non-governmental levels.

In the United States and Canada, both religious and secular coalitions have taken clear positions in opposition to life patents. The Blue Mountain Declaration of June 1995 speaks for many:

The humans, animals, microorganisms and plants comprising life on earth are part of the natural world into which we were all born. The conversion of these life forms, their molecules or parts into corporate property through patent monopolies is counter to the interests of the peoples of the world.

No individual, institution, or corporation should be able to claim ownership over species or varieties of living organisms. Nor should they be able to hold patents on organs, cells, genes or proteins, whether naturally occurring, genetically altered or otherwise modified. Indigenous peoples, their knowledge and resources are the primary target for the commodification of genetic resources. We call upon all individuals and organisations to recognise these peoples' sovereign rights to self-determination and territorial rights, and to support their efforts to protect themselves, their lands and genetic resources from commodification and manipulation.

Life patents are not necessary for the conduct of science and technology, and may in fact retard or limit any benefits which could result from new information, treatments or products...

As part of a world movement to protect our common living heritage, we call upon the world and the congress of the United States to enact legislation to exclude living organisms and their component parts from the patent system. We encourage all peoples to oppose this attack on the value of life.<sup>33</sup>

## **Future prospects**

The plants, animals and microbes that form the interconnected web of life on earth have evolved over hundreds of millions of years. Though some of them may have been modified by human intervention, the alterations are trivial with respect to the substrate. These species are too important for the continuation of life to be the property of corporations, individual institutions or political entities.

The remedy is straightforward. The very recent extension of patent protection to organisms, genes and cells needs to be stopped and

reversed. The parliamentary battles that have occurred in India and Europe, in Switzerland, Germany and Austria need to be expanded to other nations. Since the agri-biotechnology and pharmaceutical industries are using the US government as a major lever in world affairs, it is particularly important that this effort develop in the US and its biotechnology allies: Canada, the UK, France and Germany. The appropriate action is for parliaments to clarify the law with further legislation that excludes living organisms and their parts from patent protection. The development of such issues in the US Congress will probably depend on the emergence in the US of political parties independent of the existing two parties.

The animals and plants that have evolved on the earth – like the oceans and the atmosphere – are the common heritage of all. Similarly, the genes that are the blueprints and instructions in our cells are shared by all human beings, since we are members of one species, homo sapiens. Allowing corporations to patent – to gain monopoly ownership of organisms and their components – means that life forms are being converted into corporate property. This constitutes a vast new form of privatisation on a global scale. The struggle to maintain species as part of the common heritage of human society, allowing equitable utilisation of their bounty, will be an increasingly important social and economic struggle as we enter the twenty-first century.

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## Charting globalisation

'Globalisation' is everywhere. No issue of the *Guardian*, the *New York Times* or, of course, the *Wall Street Journal* or the *Financial Times*, goes to print without copious reference to it. No policy speech by Blair, Clinton, Frei, Mohathir, or Mbeki is replete without a solemn invocation of the doctrine. Over the course of the past five years, at least fifty new books and at least 500 new articles have appeared with the term 'globalisation' prominently displayed in their titles. There is a vast economic literature on the subject, a vast sociological literature and burgeoning and profitable production in the academic fields of international relations, history, politics, musicology and literary and cultural studies. Even sports commentators are in on the game: watching a cricket Test Match between England and South Africa on television the other day, I was startled to hear the renowned Australian commentator, Richie Benaud, suddenly spouting globalisation theory to account for the ongoing diffusion of the game to parts of the world – Kenya, Holland, Bangladesh – where it has not hitherto commanded much attention!

In its initial – and still its most conventional – coinage, the concept of globalisation emanates squarely from the universe of neo-liberal ideology and social practice. Within this universe, as Paul Hirst and Grahame Thompson observe in the opening sentences of their dissenting study, *Globalisation in Question*,

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it is widely asserted that we live in an era in which the greater part of social life is determined by global processes, in which national cultures, national economies and national borders are dissolving. Central to this perception is the notion of a rapid and recent process of economic globalisation. A truly global economy is claimed to have emerged or to be in the process of emerging, in which distinct national economies and, therefore, domestic strategies of national economic management are increasingly irrelevant. The world economy has internationalized in its basic dynamics, it is dominated by uncontrollable market forces, and it has as its principal economic actors and major agents of change truly transnational corporations, that owe allegiance to no nation state and locate wherever in the globe market advantage dictates.<sup>1</sup>

The social thought and practice of the metro-leaning, if geographically relatively dispersed, class fraction whose members Tim Brennan has suggestively dubbed the 'new cosmopolitans'<sup>2</sup> proceeds upon the assumption that the world market is the overriding motive force of contemporary economic development and that nation-statist policy has therefore become irrelevant to economic practice. To these new cosmopolitans – a cohort made up pre-eminently of politicians at the helm of neo-liberal states, executives and senior operatives of transnational corporations and professional and managerial elites in the financial and information sectors of the contemporary world system – globalisation appears in the guise of 'a tide sweeping over borders in which technology and irresistible market forces transform the global system in ways beyond the power of anyone to do much to change.'<sup>3</sup>

One could, of course – and should – immediately object that what is stereotypically projected in neo-liberal ideology as a behemoth or a brakeless train is, in fact, the direct outcome of social and economic policy and is hence subject to direction or alteration. Thus Alan Scott, who helpfully points out that

Globalization must be seen in part at least as the outcome of an idea, and specifically the idea of a free market...[G]lobalization on such a view is the realization or side-effect of economic deregulation and the lowering of social costs within national communities...Deregulation...is not a *response* to competition, but a means of extending it into areas which were previously protected, or partially protected, from commodification. It is deregulation that undermines the ability of nation states to protect themselves from the social destructiveness of markets, but it is also the nation state that is the key actor in bringing deregulation about internally...and externally...[C]ontemporary neo-liberalism has been successful because it has persuaded many politicians, and perhaps voters also, that the direction of causality runs from economic development to political response and



thus presents itself merely as an objective or at least neutral diagnosis rather than as a contributor to the emergence of the very conditions it purports to analyse.<sup>4</sup>

In the discourse of the new cosmopolitans, however (or in that of their intellectual representatives, such as Kenichi Ohmae, Peter Drucker, Tom Peters, and Stephen Rhinesmith), the mantra of 'globalisation' tends to be recited evangelically, to spread the good news of a 'new world order' built in the image of a supercharged, borderless, free enterprise zone. As Paul Smith observes, the writing of Ohmae, Drucker and their ilk abounds with '[m]agical notions such as that of fully global space replete with an ecstatic buzz of cyber communication, or of an instantaneous mobility of people, goods and services, or of a global market place hooked up by immaterial money that flashes around the globe many times a minute'. '[T]hese are the kinds of images' Smith continues, 'that are regularly projected [today]... Such images have effectively become shibboleths, appearing to construe a kind of isochronic world wherein the constrictions of time and space have been overcome, where the necessary navigational and communicational means are so fully developed and supremely achieved that they can eclipse even reality itself.'<sup>5</sup> To the neo-liberal new cosmopolitans, Gregory Jusdanis notes,

globalization signifies the transnationalization of capitalism, the breakdown of national economies, and the creation of a more interconnected world economic system. It also describes the emergence of new technologies of communication such as satellite, fax, and e-mail, which, along with the possibility of rapid inter-continental travel, alter the relationship of time and space. This spatial compression and temporal acceleration allow people, ideas, and goods to move with great speed, while also making it possible for individuals, however far apart, to witness events simultaneously.<sup>6</sup>

\* \* \*

It was already clear to Karl Marx a century ago that a tendency towards universalisation was inherent in capitalism. The historical forms assumed by this tendency were for Marx a matter of record, and could not be gainsaid. 'The tendency to create the *world market* is directly given in the concept of capital itself', Marx wrote in the *Grundrisse*. 'Every limit appears as a barrier to be overcome.'<sup>7</sup> But for Marx, this drive toward universalisation was incapable of realising itself on its own terms. For what would always prove insuperable was a barrier internal to capital itself, one progressively disclosed by and through capitalist development. Marx put it thus:

But from the fact that capital posits every...limit as a barrier and

hence gets *ideally* beyond it, it does not by any means follow that it has *really* overcome it, and, since every such barrier contradicts its character, its production moves in contradictions which are constantly overcome but just as constantly posited. Furthermore. The universality towards which it irresistibly strives encounters barriers in its own nature, which will, at a certain stage of its development, allow it to be recognized as being itself the greatest barrier to this tendency, and hence will drive towards its own suspension.<sup>8</sup>

And a few pages later we find this consolidation of the argument:

*there is a limit, not inherent to production generally, but to production founded on capital...[C]apital contains a particular restriction of production – which contradicts its general tendency to drive beyond every barrier to production...[C]apital is not, as the economists believe, the absolute form for the development of the forces of production – not the absolute form for that, nor the form of wealth which absolutely coincides with development of the forces of production.<sup>9</sup>*

The contemporary relevance of this insight is discernible through reference to the work of a theorist like Samir Amin, whose argument is very similar to Marx's. Globalisation in the sense of capitalist universalisation, Amin writes, is not something that one can be 'for' or 'against'; it is 'a fact of modern history'. But whereas today's neo-liberal ideologues proclaim globalisation an existent reality, Amin insists upon both the attenuated nature of what has in fact been realised and the categorical *unrealisability* of 'globalisation via the market'. 'Here the bourgeois and the socialist part ways' he writes. For

[t]he first wishes to fix evolution, more or less submitting it to the perspective of the unilateral action of capital. Socialism on the other hand permits one to see why this capitalist globalization remains truncated, generating, reproducing and deepening global polarization step by step. The historical limit of capitalism is found exactly here: the polarized world that it creates is and will be more and more inhuman and explosive.<sup>10</sup>

The thrust of this argument becomes clearer elsewhere, when Amin observes that claims that contemporary capitalism has instantiated a global order are premature also inasmuch as they are, to date, underpinned by no credible political, governmental or administrative structures at the global level:

No economy exists without politics and without a state. Therefore, economic globalization logically requires the construction of a world political system able to respond to the challenge, a power system capable of managing social compromises at the worldwide level, just

as national states manage them at their level. However, sufficient maturity does not exist in the area, not even among the group of dominant capitalist countries... In my opinion capitalism is unable to overcome the growing contradiction between its economic management in an increasingly globalized space, and its political and social management which remain fragmented among national spaces.<sup>11</sup>

Globalisation, for Amin, thus refers at one and the same time to the tendency towards universalisation that inheres within capitalism as a dynamic system but that is finally unrealisable on the terrain of capitalism itself and to the ideological figure in terms of which the currently prevailing neo-liberal discourse (mis-)recognises and justifies the social order that contemporary capitalism has brought into existence. 'Neoliberal discourse cannot respond to [the] real challenge of globalization,' he observes, 'unless, according to its principles, it anticipates the simultaneous opening up of all frontiers, to commerce, to capital and to the migration of workers.' But since no actually existing capitalist state has of yet put itself in a position to accommodate the last of these 'openings', the 'discourse remains truncated, suggesting the opening of frontiers to capital but their closure to human beings'.<sup>12</sup> The reactionary utopia of globalisation thus functions for Amin to displace and neutralise the potential reality – a genuine internationalism – which is always latent within the social drive of capitalism toward universalisation. 'The alternatives are still either (worldwide) socialism or barbarism'.<sup>13</sup>

To this point, I have been proposing that 'the globalisation thesis' is, *ab initio*, the formalisation of neo-liberal ideology. But it is not only neo-liberals who hold to the globalisation thesis. For it also has a very wide subscription among critics and social thinkers who situate themselves, politically, in explicit opposition to neo-liberalism. Some of these critics oppose neo-liberalism from a conservative standpoint; others oppose it from the Left.

One of the most instructive conservative critiques of neo-liberalism is that put forward by John Gray in his widely lionised new book, *False Dawn: the delusions of global capitalism*. A former champion of the New Right, now a horrified apostate, Gray mounts a blistering critique of what he calls the 'Utopia of the global free market.' Already, he writes, the social imposition of this Utopia 'has resulted in over a hundred million peasants becoming migrant labourers in China, the exclusion from work and participation in society of tens of millions in the advanced societies, a condition of near-anarchy and rule by organised crime in parts of the post-communist world, and further devastation of the environment'.<sup>14</sup>

Gray's contempt for the Utopistic strain within globalisation theory

– he follows others in referring to it as the ‘hyperglobalisation model’ – concedes nothing to left-wing critiques. The hyperglobalisers, he writes

represent as inevitable what is, in fact, a highly unlikely outcome of the current drive to create a global free market...[They] conflate ... the end-state favoured by that project with the actual development of economic globalisation...[They] represent...an historical transformation that has no end-state, and which is subverting American capitalism as well as its rivals, as a process leading to universal acceptance of American free markets...[They] represent global markets as embodying something akin to perfect competition. In this illusive vision, transnational corporations can move freely and costlessly around the world to maximise their profits. Cultural differences have lost any political leverage on governments and corporations. As in the perfectly competitive markets of economic theory, the participants in this model of the global economy – sovereign states and multinational corporations, for example – are presumed to have all the information relevant to their decisions.<sup>15</sup>

‘In reality’, Gray concludes (in explicit repudiation of Kenichi Ohmae’s corporatist manifesto, *The Borderless World: power and strategy in the interlinked economy*), nation states and corporations ‘navigat[e]...in a fog of risks and uncertainties whose hazards they can only surmise. A borderless world ruled by homeless transnationals is a corporate Utopia, not a description of any present or future reality’.

For all this, Gray himself remains a new cosmopolitan. His exhortation of the hyperglobalisation model does not cause him to jettison the globalisation thesis altogether, merely to retreat to a more ‘moderate’ version of it. Global capital markets, in his view, have destroyed the conditions of possibility for the Keynesian welfare state, rendering social democracy – to say nothing of socialism – definitively obsolete. They have decisively altered the social relations of production worldwide, levelling or ‘harmonising’ them downwards, disembedding people from their local or regional networks, and submitting them to the tender mercies of a labour market that is essentially irrational and anarchistic, driven along blindly by technologically-determined developments in the forces of production. ‘[T]he emergence of a global economy’ he writes, ‘is a decisive moment in the development of a late modern species of disordered, anarchic capitalism. Capitalism today is very different from the earlier phases of economic development on which Karl Marx and Max Weber modelled their accounts of capitalism – and also from the stable, managed capitalisms of the post-war era’.<sup>16</sup> The picture that Gray paints is of an unstable, unsteerable, rampaging juggernaut, which it is quite beyond the capacity of any human agency to temper or domesticate. Today all social actors – even corporate ones – are obliged to operate in

an environment so transformed by market forces that no institution – not even the largest transnational corporation or sovereign state – can master it. In this environment the most unmanageable forces spring from a torrent of technological innovations. It is the combination of this unceasing stream of new technologies, unfettered market competition and weak or fractured social institutions that produces the global economy of our times... In the late twentieth century there is no shelter – for corporations or for governments – from the global gale of creative destruction.<sup>17</sup>

The main reason to reject Gray's model of globalisation is that, for all its criticism of neo-liberalism, it *depoliticises* the recent developments in the world system. In its fatalism and technological determinism, it fails to register that globalisation directly serves the interests of some people and that there is an intimate structural connection between the obscenely burgeoning prosperity of this minority and the steady immiseration of the vast majority of the world's population. (Gray laments this immiseration, but he presents it as the outcome of an agentless and irreversible process, of which there are only victims.) In these terms, Barry Gills's critique of the politics of what he calls the 'New Hellenism' might cogently be directed against Gray's analysis:

[N]o argument that depoliticises the processes of globalisation should be politically or intellectually acceptable. On the contrary, globalisation should actually serve to focus our attention precisely on the type of political responses it sets in motion, rather than feed the idea that politics is becoming the predictable epiphenomena [sic] of technological processes. In reality, the politics of globalisation is all around us, and like all politics, it is a fairly fluid and open situation, the outcomes of which will be determined by 'struggle' or contest, and by the balance of forces on each question... Above all, no account of globalisation should 'write out' the response to these processes by popular forces and social movements, including traditional labour movements and 'opposition' political parties.<sup>18</sup>

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There is widespread agreement among progressive theorists that any periodisation of the half century between 1945 and the present needs to be hinged around the economic recession and attendant political crisis that set in towards the end of the 1960s. Few would disagree, for instance, with Immanuel Wallerstein's general suggestion that the economics of the period since 1945:

are in broad outline easy to expound. There was a major expansion of the capitalist world-economy following the end of the Second World War. It came to an end perhaps in 1967, perhaps in 1973. It

was the greatest single expansion in the history of this world-system going back to 1500 (measured by any of the usual criteria, except that of expansion of land area included within the world-economy)... For all the standard economic reasons, this expansion came to an end and has been followed by an economic stagnation.<sup>19</sup>

The question, however, of how precisely to characterise this sequence of expansion and crisis – and more particularly of how to theorise the articulation of the two phases – has been the subject of fierce debate. Wallerstein's evocation of 'all the standard economic reasons' suggests his openness to a cyclical theory of capitalist development. He argues in fact that the period of expansion was 'fueled by relative monopolies in a few leading products for which the rate of profit was high, and the surplus-value of which was very unequally distributed, socially and geographically' and that this period came to an end

because the relative monopolies were eroded by entry into the world market of a large number of competitors, seeking to get on the bandwagon. It came to an end as well because of declining profitability, caused by rising retention of the surplus-value, both by direct producers and by managerial strata. The result was a severe decline in profit rates...relatively high worldwide unemployment of wage workers; acute politicized competition among core countries for the tighter world market; increased economic suffering in many sectors and... a sense in many sectors that they are suffering by comparison with the previous...period; increased world concentration of capital...geographical relocation of production processes; and a search for product innovations.<sup>20</sup>

One fruitful approach to the periodisation of post-war capitalism – 'sociological' rather than 'economic' in the strict, disciplinary sense – is that represented by the so-called 'regulationist school' of political economy.<sup>21</sup> In general terms, the regulationist argument is that the stabilisation of capitalism in the core economies of western Europe and the United States in the immediate post-war period was secured on the basis of a predominantly Fordist regime of accumulation. Post-war Fordism, as Simon Clarke has explained in surveying this line of argument, is understood by the regulationists as being based

on the mass production of homogeneous products, using the rigid technology of the assembly line with dedicated machines and standardized (Taylorist) work routines. Increased productivity is attained through economies of scale as well as the deskilling, intensification and homogenization of labour. This gives rise to the mass worker, organized in bureaucratic trade-unions which negotiate uniform wages that grow proportionately with productivity increases. Homogeneous consumption patterns reflect the homogenization of

production and provide a market for standardized commodities, while rising wages provide growing demand to match the growing supply. The overall balance between supply and demand is achieved through Keynesian macroeconomic policies, while the overall balance between wages and profits is achieved through a collective bargaining supervised by the state. The education, training, socialization, etc. of the mass worker is organized through the mass institutions of a bureaucratic welfare state.<sup>22</sup>

The regulationist theorists' general suggestion is that Fordism, thus conceived, was able to consolidate itself in the core capitalist societies by the early 1950s, and that there then ensued the period of sustained economic growth to which Wallerstein and others refer – a period of relative class consensus, marked by low unemployment, low inflation, and widely dispersed social and economic benefits.

Beginning in the late 1960s, however, a series of related developments combined to put an end to the post-war boom and to bring to crisis the Fordist regime of accumulation. The immanent instability of the Keynesian welfare state – the final incompatibility between capitalist class relations and social democracy – caused the rate of growth to slow and then to stagnate. The various socio-economic contradictions that had been both masked and exacerbated by the social democratic class compromise of Fordism began (once again) in the late 1960s and early 1970s to stage themselves as the sites of open confrontation. Having developed as far as it was possible to develop within the framework of Keynesianism, capital began to chafe under the bit of the restrictions it had been obliged by the power of organised labour to accept. It was in this context, as such commentators as Nicholas Costello, Jonathan Michie and Seumas Milne have noted, that

a consensus started to emerge among the ruling classes of the major western states that without the discipline of redundancy and mass unemployment on the workforce there was no possibility of overcoming the stagflationary crisis of the period and carrying out the economic restructuring necessary to meet the challenge from Japan and the Far East. In Britain, this ideology emerged in the form of monetarism which in due course turned into the free-market crusade of Thatcherism. In the US it started life as Reaganomics. In France it arrived in a dramatic form in 1983 when the socialist government conducted a U-turn strongly reminiscent of the British Labour government's capitulation to the IMF seven years earlier.<sup>23</sup>

From the standpoint of the ruling classes in the core capitalist nation-states, the required 'economic restructuring' could not be achieved through any re-consolidation of the welfarist order of Fordism and Keynesian class compromise. Instead, as Michael Rustin has written,

new strategies [began to be] developed by capital, both intellectually and in political practice. These included the internationalization of its operations, transferring 'Fordist' forms of production to less developed countries, while maintaining crucial command and research functions in the metropolises; the imposition of more stringent market disciplines on capital and labour, through the international 'de-regulation' of trade, movements of capital, and labour; the internal 'marketization' of operations within large firms, through the institution of management by local profit-centres; the development of new technologies and forms of production and marketing... and a dispersal and reduction of the scale of production in order to elude the countervailing cultures and institutions of organized labour.<sup>24</sup>

There are, I think, good grounds to accept in broad terms the schematic narrative of the political economy of capitalism in the post-1945 era outlined above, *provided that we first introduce a couple of necessary caveats or qualifications*. First, it is important for us to counter the tacit First Worldism of the argument as I have thus far followed other commentators in presenting it. It is clear that the prosperity of the period from 1945 until the late 1960s was indeed substantially predicated upon the welfarist class compromise in the core capitalist nations of western Europe and the United States. (It is worth re-emphasising that the welfare state was a political settlement, reflecting no 'magnanimous' or 'natural' aspiration on capital's part to harmonise its interests with those of labour but, on the contrary, the bitterly hard won ability of organised labour to constrain capital.) Yet the achievement of the welfare state – measured not only in terms of economic growth but also in terms of social democracy – needs to be properly situated. It is in fact complementary with, and indeed partially dependent on, two other world-historical social projects – those which, following Amin, we might term 'modernisation' in the Third World, and Sovietism or the 'Soviet project of capitalism without capitalists, relatively independent of the dominant world system.'<sup>25</sup> These three social projects operated in tandem and – notwithstanding their structural and ultimately definitive limitations – initially met with considerable success in the post-war era. They

either unfolded within the framework of autocentric national economies or, in the case of the countries of the East and the South, aspired to construct such autocentric economies. They differed in their relationship ('interdependence') with the world economy: Atlanticism, the construction of Europe, in the case of the developed countries of the West; a 'negotiated' opening to the world economy in the case of the countries of the South; quasi-autarky for the countries of the East.<sup>26</sup>



Growth with democratisation in the West was therefore accompanied, on Amin's reading, by real gains in the East and South:

The victory of the Soviet Union and the Chinese revolution created internal and international conditions favouring the development of the countries of the East, and also those of the West, in so far as they contributed to pressures exerted on capital to engage in the historic social-democratic compromise... The simultaneous rise of national liberation movements in the third world and the ability of post-colonial regimes to harness the benefits of East-West competition favoured economic growth in the south in a number of ways.

The net result of all these developments was a period, or interregnum, in which 'capital was constrained to operate within structures relatively favourable to the peoples of the world'.<sup>27</sup>

It is this global dispensation that Amin sees as having collapsed in the years of crisis that set in during the late 1960s. Sometime between 1968-71, he writes, 'the world system entered a phase of structural crisis, which continues to this day. The crisis manifests itself in the return of a high and persistent unemployment accompanied by a slowing down of growth in the West, the collapse of Sovietism, and serious regression in some regions of the Third World, accompanied by unsustainable levels of external indebtedness'.<sup>28</sup> The thirty years from 1968 to the present have borne witness, then, not just to the crisis of post-war Fordism and the collapse of the welfare state, but to the *global* reassertion and consolidation of 'the logic of unilateral capital'.<sup>29</sup>

The second qualification that needs to be entered to the schematic account of the trajectory of post-war capitalism offered above centres on the impression of absolute *discontinuity* that is likely to be conveyed by the analytical starkness of its juxtaposition of the epochs of expansion (1945 to 1968 or 1973, say) and crisis (1968/1973 to the present). I suggested earlier that in its attempts to resolve the crisis of profitability that set in towards the end of the 1960s, capital launched a new offensive against labour worldwide, dissolving the welfarist class compromise that had marked its dealings with the western working class and accelerating or intensifying its rate of exploitation of workers in the peripheries and semi-peripheries. Yet the 'strategies' aggressively deployed by capital during this period – among them the transnationalisation of production, the development of new productive forces and technologies, the installation of newly rationalised productive regimes and new modes of marketing, the prioritisation of speculative or financial over productive capital – were not new. On the contrary, every one of these strategies, generally conceived, has had a long and chequered career in the development of capitalism over the course of the past several hundred years. Here is Wallerstein's characteristically macro-historical reading of the recurring drama of

overproductionism: '[w]hat seems to have happened every fifty years or so' in the history of capitalist development, he writes,

is that in the efforts of more and more entrepreneurs to gain for themselves the more profitable nexuses of commodity chains, disproportions of investment occurred such that we speak, somewhat misleadingly, of overproduction. The only solution to these disproportions has been a shakedown of the productive system, resulting in a more even distribution. This sounds logical and simple, but its fall-out has always been massive. It has meant each time further concentration of operations in those links in the commodity chains which have been most clogged. This has involved the elimination of both some entrepreneurs and some workers... Such a shift also enabled entrepreneurs to 'demote' operations in the hierarchy of the commodity chains, thereby enabling them to devote investment funds and effort to innovative links in the commodity chains which, because initially offering 'scarcer' inputs, were more profitable. 'Demotion' of particular processes on the hierarchical scale also often led to geographical relocation in part. Such geographical relocation found a major attraction in the move to a lower labour-cost area.<sup>30</sup>

As Smith puts it, therefore, the current restructuring

does not represent a radical rupture in the history of capitalism, but... is rather a sort of outgrowth of familiar capitalist concerns... It is in other words not some drastic new phenomenon but a historically explicable one whose peculiar forms are dependent on the specific series of crises that capitalism has engendered within and for itself in the continual process of revolutionizing the means of production.<sup>31</sup>

Smith coins the phrase 'millennial dreaming' to describe the widespread contemporary tendency to ignore this perduring dialectic of capitalist development, that is, to forget that 'particular historical changes within the capitalist mode of production can be grasped accurately only as functions of specific crises of capitalism and its continual need to reinvent itself'. 'Millennial zeal', on his reading, 'infects not just the globalisation cheerleaders but also many on the left today'. He himself wants 'to stress the continuities represented by millennial capitalism within the history of capitalist formations'. For only through means of this emphasis on continuity, he argues, are we able to establish and maintain grounds sufficient 'to counter not just the discourse of the millennial dream's many proponents, but also the discourse of those parts of the left – what we might call the postmodern left – which want to see in globalisation a huge rupture or historical break'.<sup>32</sup>

Now the suggestion here of a connection, on the progressive side of

the political ledger, between what Smith terms the ‘shibboleth of globalisation’ and postmodernism, is provocative. The work of any number of theorists might be referenced in this respect: Stuart Hall, Nestor Garcia Canclini, Arjun Appadurai, Jan Nederveen Pieterse, Martin Albrow, Scott Lash and John Urry, Ankie Hoogvelt and many others.<sup>33</sup> It is clear that in the work of such theorists as these, ‘globalisation’ and ‘postmodernism’ stand as twin columns together buttressing an ambitious new theory of society. At the same time, however, I think it is important for us to problematise, as rather too snug, the identification that Smith’s reading appears to encourage between globalisation theory and postmodernist discourse. For various articulations of a strong version of the globalisation thesis are also to be found in the work of a number of other progressive or even avowedly socialist writers whose theoretical assumptions are either quite explicitly opposed to postmodernism or, at least, clearly at some remove from it.<sup>34</sup> While these latter writers seem as fully convinced as the postmodernist theorists cited above that the contemporary restructuring of capitalist social relations has been of epochal significance, they cannot plausibly be classified under the rubric of the ‘postmodern’ Left. Nor, indeed, in most cases, can their representation of globalisation be viewed as ‘zealous,’ if by that term one means to indicate enthusiasm: participants in the ‘millennial dream’ they might be, but for nearly all of them this dream has the qualities of a nightmare.

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Rather than distinguish between ‘modern’ and ‘postmodern’ strains within the leftist discourse on globalisation, therefore, it might be more useful for us to distinguish – as Smith himself does most of the time in *Millennial Dreams* – between those on the Left whose commentary on globalisation derives from radically discontinuist historico-philosophical assumptions and those whose analysis reflects a continuing indebtedness to historical materialist principles. As noted above, the conservative theorist John Gray believes not only that global capital markets have rendered social democracy – of the sort achieved in western European states in the post-1945 era – permanently ‘unviable’,<sup>35</sup> but also that the Marxist project has failed utterly: it was this latter world-historical project, and not merely Sovietism (or Stalinism), that was buried definitively under the rubble of the Berlin Wall in 1989. And this tendency is, sadly, characteristic of much progressive discourse on globalisation today.<sup>36</sup> Even Robinson, for instance, in an earlier polemic, states that capital today has been ‘liberated from any constraint on its activity’; that ‘for the first time in the history of the modern world system’, there has been a replacement ‘of all pre- (or non-) capitalist production relations with capitalist ones in every part of the globe’; that ‘a new “social structure of accumulation” is emerging

which, for the first time in history, is global'. He also states that the process of globalisation 'is redefining all the fundamental reference points of human society and social analysis, and requires a modification of all existing paradigms'.<sup>37</sup> Others go further. For Albrow, not only has 'modernity' been supplanted by 'globality', but this development entails 'an overall change in the basis of action and social organisation for individuals and groups'.<sup>38</sup> Globalisation, 'far from being the latest stage of a long process of development', might best be grasped as corresponding to 'the arrest of what was taken for granted, a transformation arising out of a combination of different forces which unexpectedly changes the direction of history'. It marks 'the transition to a new era rather than the apogee of the old'.<sup>39</sup> And Dirlik believes that '[c]hanges in the contemporary world appear to be so drastic that they have raised questions about whether or not past ways of thinking about the world (Marxist or otherwise) are relevant at all in the present'.<sup>40</sup> But this way of thinking has little to commend it. Historically specious – in the sense that, as Craig Calhoun has rightly put it, the fundamental theoretical and political problems that 'shape our lives and thought' today continue to be those that 'have shaped them throughout modernity'<sup>41</sup> – such claims are merely sensationalist where they are not actively mystifying.

Writing thirty years ago, in advance of both the jettisoning of the Bretton Woods currency system and the 'oil crisis' of 1973-75, Ernest Mandel was already able to identify and explain such developments as the emergence of what has since been termed the 'service economy'; the advancing commodification of knowledge and the corollary importance of information technologies; the tilting of the balance from productive to financial capital; the rise of sub-contracting and other 'transnational' productive practices; the likelihood that capital – on the basis of its stockpiling of the value created by dead labour – would be selectively able in the short term to free itself from its need for living labour, and hence to launch a devastating new offensive against the political power of the organised working classes of the core capitalist states, and so on.<sup>42</sup> There is no reason to back away from these Marxist insights today. The Left's strategy, as Brennan has put it in a succinct phrase, must not be 'to flee from the global, but to socialise it'.<sup>43</sup>

A. Sivanandan's more recent writings (in *Race & Class* and elsewhere) might be said to proceed in a general sense from assumptions similar to those held by Mandel.<sup>44</sup> Sivanandan distinguishes between 'globalisation' and 'globalism'. The latter term for him names the neo-liberal project and is as such an ideology, pure and simple. The former term – 'globalisation' – by contrast, is construed not only in the light of the universalising drive that has characterised capitalist development from the outset, but as a periodising designation. What Mandel called the 'third technological revolution' – which drives capitalism beyond its monopoly phase into the 'late' capitalist conjuncture – Sivanandan calls

'globalisation'. His argument is that the global restructuring of capitalist class relations over the course of the past quarter of a century has served not only to alter the balance of forces between labour and capital, but – in consequence of the disaggregation and decentralisation of the western working class – to mandate new modes of class struggle. 'Globalisation' corresponds, in these terms, to an intensification and reconfiguration of imperialist social relations. (Sivanandan understands imperialism along fairly strict lines, as a specific and ungeneralisable historical epoch.)

A similar line of argument has also been mooted lately by David Harvey, who argues that the 'quantitative changes that have occurred' in recent times are 'great enough and synergistic enough when taken together to put us in a qualitatively new era of capitalist development, demanding a radical revision of our theoretical concepts and our political apparatus (to say nothing of our aspirations)'.<sup>45</sup> The call for a 'radical revision' of concepts and political modes might be taken to suggest an affinity between Harvey and the social thinkers criticised above. But Harvey does not mean by this language what they have in mind when they make ostensibly similar claims. On the contrary, he goes on immediately to insist that

there has not been any fundamental revolution in the mode of production and its associated social relations...[I]f there is any real qualitative trend it is towards the reassertion of early nineteenth-century capitalist values coupled with a twenty-first-century penchant for pulling everyone (and everything that can be exchanged) into the orbit of capital while rendering large segments of the world's population permanently redundant in relation to the basic dynamics of capital accumulation. This is where the powerful image, conceded and feared by international capital, of contemporary globalisation as a 'brakeless train wreaking havoc' comes into play.

Like Sivanandan (and, for that matter, Mandel and Amin), Harvey proposes to refunction rather than to scrap the inherited categories of social thought (Marxist and other), to refine them by way of equipping them to register the specificities of the contemporary social order. Of the classical Leninist concept of imperialism, for instance, he observes that it is incapable of capturing 'the intricacies of uneven spatio-temporal development [today]...[T]he reterritorialization and respatialization of capitalism, particularly over the last thirty years, make such categories seem far too crude to express the geopolitical complexities within which class struggle must now unfold'.<sup>46</sup>

Such formulations do not sit well with all Marxist theorists, of course. Indeed, in a statement that does not mention Harvey but that might nevertheless be interpreted as a direct riposte to his call for a reconceptualisation of imperialism, Smith observes that, far from

mandating a 'radical revision' of inherited concepts,

the current restructuring is perhaps most relevantly seen as a particular historical development arising from the collapse of the North's colonial systems and of American mid-century hegemony over both economic and cultural realms in the global system. In that important sense, the contemporary, 'globalized' form of capital accumulation derives from the moment of direct imperialism and is in many respects the continuation of colonialism and imperialism by other means.<sup>47</sup>

In general, however, summary dismissals of globalisation theory as so much 'globaloney' – such as one encounters in Ellen Meiksins Wood's recent pieces in *Monthly Review*, for instance – do not quite ring true.<sup>48</sup> Although there is much in Wood's analysis with which any Marxist would agree, her relative neglect of changes in the disposition of productive forces (technology, but also labour power) over the past thirty years, and her corresponding (and indirectly Eurocentric<sup>49</sup>) reduction of class struggle to organised labour militancy, seem strangely undialectical.

It is possible to steer clear of the rather reactive overstatement of the 'Monthly Review' position on globalisation theory without capitulating to 'endist' logic or 'millennial dreaming'.<sup>50</sup> The problem with a lot of globalisation theory (including that emanating from the Left), one might say – adapting a phrase from Sartre – is that it moves to the universal too quickly. Sensing smoke, some of the theorists of globalisation do not only cry 'fire', they prematurely pronounce the building completely destroyed – burnt to the ground, and everybody inside perished. What the radical Left needs is not this, but instead a sober, concretely grounded and historically sensitive analysis of the specific forms assumed and generated by the global restructuring of capitalist class relations over the course of the past quarter century. (There is a lot to debate, and considerable room for productive argument.) Some of the writers cited above have begun to contribute to such an analysis.<sup>51</sup> The more globalisation assumes the form of globalism – that is, the more unbridled becomes the logic of unilateral capital – the more urgent and indispensable the task will become.

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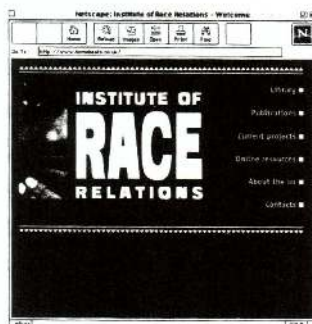


- 49 'Eurocentric' because it assumes the generalisability of a historically and geographically specific relation of labour to capital: that of the European proletariat to industrial capital.
- 50 My intention in this article has been to chart various key positions that have been taken up in the 'globalisation debate' rather than to evaluate or critically assess them. Readers interested in my own standpoint on these debates are invited to consult 'Modernity, globalisation and "the West"', the first chapter of my book, *Nationalism and Cultural Practice in the Postcolonial World*, which will be published by Cambridge University Press early in 1999.
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# Latin America and global capitalism

Latin America is a continent in struggle against the structures of inequality, oppression and underdevelopment still in place 506 years after the Conquest. But those structures – and the struggles against them – are undergoing dramatic transformation in the face of capitalist globalisation. The restructuring of world capitalism, its new transnational logic and institutionality, the polarisation between the rich and the poor and the escalation of the inequalities, marginalisation, deprivation taking place under globalisation, have profoundly changed the terrain on which social struggle and change will take place in Latin America in the twenty-first century.

Globalisation represents a shift from the nation state to a new transnational phase of capitalism. Transnational capital has become the hegemonic fraction of capital on a world scale, and its agent, an emergent transnational capitalist class (or elite), is reorganising the world in its interests. The globalisation of production and the global integration of national and regional economies involves fundamental economic, social, political and cultural-ideological restructuring in every country and region. The transnationalisation of capital also brings with it the transnationalisation of classes, the emergence of a transnational state apparatus, a dominant ‘global culture’ of consumerism and individualism, and so on.

These issues have been addressed elsewhere by myself and others as

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part of the debate on globalisation,<sup>1</sup> and I do not intend to retake them in this article. Rather, I wish to explore how globalisation has affected one region, Latin America, with particular emphasis on change in the political economy. I highlight several of the burning issues of the next century as seen from the social and political vantage point of the popular majority and from the analytical framework of the structural changes involved in capitalist globalisation. The issues discussed here – the crisis of development, Latin America's relation to the global economy, new dimensions of inequality, and the prospects of a counter-hegemonic project – are not inclusive or definitive, and represent an attempt to explore some of the most salient concerns of a popular agenda. My objective is to contribute some theoretical, analytical and empirical inputs into the current debate in Latin America – *and worldwide* – over how to mount an effective challenge to global capitalism and advance an agenda of popular social change.

### **Latin America's development crisis**

As transnational capital integrates the world into new circuits of accumulation it breaks down national and regional autonomies, including the earlier pre-globalisation models of development and the social forces that sustained these models. Through internal adjustment and rearticulation to the emerging global economy and society, local productive apparatuses and social structures in each region are transformed, and different regions acquire new profiles in the emerging global division of labour. Economic integration processes and neo-liberal structural adjustment programmes are driven by transnational capital's campaign to open up every country to its activities, to tear down all barriers to the movement of goods and capital and to create a single unified field in which global capital can operate unhindered across all national borders.<sup>2</sup> This process has resulted in increased diversity and uneven development among countries and regions in accordance with the matrix of transnational capital's factor cost considerations and the configuration of diverse social forces in the new globalised environment.

In Latin America, the pre-globalisation model of accumulation, based on domestic market expansion, populism and import-substitution industrialisation (ISI), corresponded to the earlier nation-state phase of capitalism. This model became exhausted and its breakdown (starting in the late 1970s) paved the way for the neo-liberal model based on liberalisation and integration into the global economy, a *laissez-faire* state, and 'export-led development'.<sup>3</sup> The dismantling of the pre-globalisation model and its replacement by the neo-liberal model has thrown the region into a crisis of development which hit hard in the 1980s, Latin America's 'lost decade', and has lasted into the 1990s.

Latin America stagnated in absolute terms and experienced backward movement in relation to the world economy. The region experienced a contraction of income and economic activity. Its share of world trade dropped by half from 1980 to 1990, from about 6 to about 3 per cent.<sup>4</sup> It also became the region with the slowest growth in per capita income in this period, behind other Third World regions and behind the world as a whole, as indicated in tables 1 and 2. Some have referred to this increasing marginalisation within the global system as the 'Africanisation' of Latin America, alluding to Africa's severe marginalisation from the centres of world power and wealth and the increasing structural similarity of the two regions in the global system.

**Table 1: Growth of Real GDP Per Capita, 1965-1995**  
(average annual percentage change)

	1965-73	1973-80	1980-89	1990-95
Developed Countries	3.7	2.3	2.3	2.0
Developing Countries	3.9	2.5	1.6	4.4
Latin America	3.8	2.5	-0.4	3.2

Source: World Bank<sup>5</sup>

**Table 2: Comparison of Growth by Regions**  
(per cent average annual growth rate)

	1965-1980	1980-1989
World	4.1	3.1
Latin America	6.1	1.6
Sub-Saharan Africa	4.2	2.1
East Asia	7.3	7.9
South Asia	3.7	5.1
OECD members	3.8	3.0

Source: World Bank<sup>6</sup>

What accounts for this apparent stagnation and marginalisation? In fact, the data indicates that Latin America did not stop producing wealth for the world capitalist system as it integrated into the global economy. To the contrary, the volume of Latin American exports to the world increased significantly throughout the 1980s and 1990s. Between 1983 and 1985, the volume of the region's exports *rose* by 22 per cent, but the value of these same exports actually *decreased* by 9.9 per cent. Between 1992 and 1994, the volume rose by 22.3 per cent but the value only increased by 3.3 per cent. In other words, Latin Americans have

worked harder and harder, increasing the wealth they have produced for the global economy. Yet the income they have received from that work has decreased as they have become more impoverished and marginalized. This steady deterioration of the terms of trade for Latin America, as shown in tables 3 and 4, is a consequence of the region's unequal participation in the world market and has been aggravated by neo-liberal adjustment which has shifted resources towards the external sector linked to the global economy.

**Table 3: Volume and Unit Value of Latin American Exports**  
(per cent growth)

	<i>Volume</i>	<i>Unit Value</i>
1983-85	16.2	-9.9
1986-88	17.7	-5.9
1989-91	13.7	5.2
1992-94	22.3	3.3

Source: ECLAC<sup>7</sup>

**Table 4: Latin American Terms of Trade (FOB/CIF), 1980-1994**  
(Index: 1980 = 100)

1980	1982	1984	1986	1988	1990	1991	1992	1993	1994
100	86	92	77	75	77	72	69	68	70

Source: ECLAC<sup>8</sup>

Latin America's development crisis should not be confused with its contribution to global capital accumulation. Latin America was a net exporter of capital to the world market throughout the 1980s, as seen in table 5, exporting \$219 billion dollars between 1982 and 1990. Ironically, therefore, Latin America continues to be a supplier of surplus for the world and an engine of growth of the global economy. In a liberalised global capitalist economy, surpluses may be transferred just as easily as they are generated, which reminds us that growth alone does not involve development. Latin America is suffering a haemorrhage under the global economy, a modern day pillage. This continuous drainage of surplus from Latin America helps to explain the region's stagnation, declining income and plummeting living standards. The poor have to run faster just to remain in the same place. The social crisis in Latin America is thus not so much a crisis of production as it is of distribution. Inequality is a social relation of unequal power between

the dominant and the subordinate and, more specifically, the power of the rich locally and globally to dispose of the social product.

**Table 5: Net Capital Flows and Net Payment on Profits and Interest**  
(Latin America and selected countries, in billions of dollars)

	<i>Net Capital Flows</i>		<i>Net Payments</i>		<i>Profit/Interest</i>
	1982-1990	1991-1994	1992	1993	1994
LAC	-219	80	-31	-33	-34
Argentina	-33	20	-19	-3	-4
Brazil	-75	-9	-8	-10	-9
Chile	-4	5	-2	-2	-1
Colombia	7	-3	-2	-2	-2
Mexico	-2	-72	-10	-11	-12
Venezuela	-7	-37	-2	-2	-2

Source: ECLAC (1994-95)

Transnational functionaries from the supranational economic planning agencies (World Bank, IMF, etc.) and local elites have argued that Latin America's development crisis came to an end in the mid-1990s with the renewal of growth and a net capital inflow of \$80 billion between 1991-1994 (see table 5). But the vast majority of the inflow of capital is a consequence not of direct foreign investment, that could have helped expand the region's productive base, so much as from new loans, the purchase of stock in privatised companies and speculative investment in financial services, such as equities, mutual funds, pensions and insurance.<sup>9</sup> This dominance of speculative financial flows over productive capital reflects the hegemony of transnational finance capital in the age of globalisation and its frenzied 'casino capitalism' activity of recent years – and gives an illusion of 'recovery' in Latin America.

While there has been a resumption of growth, 'recovery' has been accompanied by increased poverty and inequality. The outward drainage of surplus has continued: as table 6 shows, Latin America continued to export annually between 1992 and 1994 an average of \$30 billion in profits and interest. 'Growth', therefore, simply represents the continued – and increased – creation of tribute to transnational finance capital.

The transnational elite 'resolved' the debt crisis in the 1980s by making the debt serviceable and removing the issue from the political agenda. But, given the continued haemorrhage of wealth from the region combined with liberalisation and deeper external integration, the external debt has in fact continued to grow throughout the late 1980s and into the 1990s, from \$230 billion in 1980 to \$533 billion in 1994, to over \$600 billion in 1997.<sup>10</sup> This debt has deleterious effects on the living

conditions of the popular classes and places Latin America in ever-increasing hock to transnational finance capital. It also facilitates internal adjustment and a deeper integration into the global economy and cements the power of the emergent transnational power bloc in the region.

### **The 'comparative advantage' of cheap labour**

Latin America's development crisis is clearly linked to the crisis of global accumulation, which also hit Africa in the 1980s and finally caught up with the 'miracle economies' of East Asia, starting with the currency crises of 1997. However, the particular form of insertion into the global economy has varied from region to region in accordance with divergent historical circumstances. The particular pre-globalisation structures and the form of articulation to the world economy help shape each region's fate under globalisation. One reason for Latin America's backward movement in the global economy and for the increased inequality and poverty of the 1980s and 1990s is that the socioeconomic model shaping up under globalisation seeks to achieve a comparative advantage for the continent through pliant, cheap labour.

In comparative perspective, Africa's relegation by world capitalism to a preserve for mineral and agricultural raw materials has placed that region at a severe disadvantage as globalisation has unfolded. East Asia and Latin America share a more advanced level of import-substitution industrialisation (ISI). But, unlike Latin America, East Asia's ISI model was based on the expansion of industrial output for the domestic market and increasingly higher value-added exports for the world market simultaneously, along with growing sectoral articulation and forward-backward linkages.<sup>11</sup> In contrast, ISI in Latin America was characterised by an internal-external dualism: industrial expansion largely for the domestic market and continued articulation to the world market largely through primary exports.

Under globalisation, however, the domestic market in Latin America has been eliminated as a factor in development. This has placed Latin America in a structural situation similar to that of Africa. The fact that the domestic market is no longer strategic to accumulation has important implications for class relations and social movements. By removing the domestic market and popular class consumption from the accumulation imperative, restructuring involves the demise of the populist class alliances between broad majorities and nationally-based ruling classes that characterised the pre-globalisation model of accumulation in Latin America. Globalisation involves a change in the correlation of class forces worldwide away from nationally-organised popular classes and towards the transnational capitalist class and local economic and political elites tied to transnational capital. As the logic



of national accumulation is subordinated to that of global accumulation, transnationalised fractions of local dominant groups in Latin America have gained control over states and capitalist institutions in their respective countries. These groups, in-country agents of global capitalism, become integrated organically as local contingents into the transnational elite. This is part of the broader process under globalisation of transnational class formation.<sup>12</sup>

It should be recalled in this regard that regional adjustment in Latin America to the global economy has been effectuated through a neo-liberal programme, which is based on creating the optimal environment for private transnational capital to operate as the putative motor of development and social welfare. And where transnational capital alights is determined by the most congenial overall conditions for accumulation and profit-making. Neo-liberal states seek to create the best internal conditions to attract mobile transnational capital, including the provision of cheap labour; depressed and lax working conditions; the elimination of state regulations such as environmental controls; little or no taxation; no insistence on transnational corporate accountability or responsibility to local populations, and so on.

In integrating their countries into the global economy, local elites in Latin America, and in particular the transnationalised fractions of these elites that came to power in the 1980s and 1990s, base 'development' on the virtually exclusive criterion of achieving maximum internal profitability as the *sine qua non* for attracting transnational capital. Profitability in this regard means achieving a comparative advantage in cheap labour and in state subsidised access to the region's abundant natural resources. Elites thus see the erosion of labour's income, the withdrawal of public services and the curtailment of political demands as requirements for the region's successful integration into the global economy.

Hence, in the logic of global capitalism, the cheapening of labour and its social disenfranchisement by the neo-liberal state become conditions for 'development'.<sup>13</sup> The very drive by local elites to create conditions to attract transnational capital is what thrusts Latin American majorities into poverty and inequality. These elites, however, find that their source of power, of privilege and of wealth, lies in following this path of integration into the global economy. As national elites become integrated into the transnational capitalist class, a new capital-labour relation is born out of the very logic of regional accumulation, based as it is on the provision to the global economy of cheap labour, the region's 'comparative advantage'.

It would seem that, while Africa's marginality in the global economy may be due to chronic political and social instability – itself a function of tensions generated by extreme inequalities and an extremely disadvantageous relation to the global system – the growing social crisis

in Latin America is due to the success of its 'race to the bottom' in wage compression, combined with a modicum of social and political stability achieved by the destructuring, casualisation and dispersal of labour.

### **New dimensions of inequality**

Globalisation has brought about a dramatic sharpening of social inequalities, increased polarisation and the growth of poverty in Latin America. Between 1980 and 1990, average per capita income dropped by an unprecedented 11 per cent,<sup>14</sup> so that by 1990 most of the region's inhabitants found that their income had reverted to 1976 levels. Poverty levels also increased throughout the 1980s and 1990s. Between 1980 and 1992, some 60 million new people joined the ranks of the poor. The number of people living in poverty went from 136 million in 1980 to 196 million in 1992, and then to 230 million in 1995, an increase from 41 per cent to 44 per cent, and then to 48 per cent, respectively, of the total population.<sup>15</sup>

What is most telling in the data is the jump in poverty between 1992 and 1995, since by the end of the 1980s Latin America had resumed growth rates and attracted a net inflow of capital following the stagnation and decline during much of the decade. In the early 1990s, officials from the international financial agencies began to speak of 'recovery', by which they meant that growth had resumed in most countries. The pattern under globalisation, it is clear, is not merely 'growth without redistribution', but the simultaneous growth of wealth and of poverty as two sides of the same coin.

The intensified hegemony of capital and new patterns of post-Fordist 'flexible' accumulation in the globalised economy have involved a restructuring of the capital-labour relation in Latin America. In this new relation, capital has abandoned reciprocal obligations to labour in the employment contract with the emergence of new post-Fordist 'flexible' regimes of accumulation, which require 'flexible' and 'just-in-time' labour. And states, with their transmutation from developmentalist to neo-liberal, have all but abandoned public obligations to poor and working majorities under this new globalised social structure of accumulation.

The contraction of domestic markets, the dismantling of 'uncompetitive' national industry, the growth of the informal economy, revised labour codes directed at making labour 'flexible', and austerity programmes have resulted in the informalisation of the work-force, mass under- and unemployment, a compression of real wages and a transfer of income from labour to capital. The accelerated informalisation of the labour market in Latin America has been accompanied by the increase of 'labour flexibility' in what remains of the formal sector, with more frequent use of contract work and the use of contingent

labour over permanent employment and collective contracts, with a consequent decline in the role of trade unions in the labour market and of working-class negotiating power.

There has been an explosion of the informal sector, which has been the only avenue of survival for millions of people thrown out of work by the contraction of formal sector employment and by the uprooting of remaining peasant communities suffering the incursion of capitalist agriculture. National and international data collection agencies report those in the informal sector as 'employed'. They do so despite the highly irregular and unregulated nature of the informal sector, which is characterised by low levels of productivity, below-poverty (and below legal minimum wage) earnings and instability, usually amounting to underemployment. Four out of every five new jobs in Latin America are in the informal sector.<sup>16</sup>

Inequality in Latin America, while high historically, has increased throughout the 1980s and 1990s, as table 6 shows. World Bank data for eighteen Latin American countries indicates that the Gini coefficient, which measures income inequality (0 is perfect equality and 1 is perfect inequality) rose from 0.45 in 1980 to 0.50 in 1989.<sup>17</sup>

**Table 6: Per Capita Household Income Distribution**  
(select countries)

	1980		1989	
	20% bottom	20% top	20% bottom	20% top
Argentina	5.3	46.6	4.1	52.6
Brazil	2.6	64.0	2.1	67.5
Chile	—	—	3.7	62.9
Colombia	2.5	63.0	3.4	58.3
Guatemala (1987)	2.7	62.0	(1989) 2.1	63.0
Mexico (1984)	4.1	55.9	3.2	59.3
Peru (1986)	6.2	49.7	5.6	50.4
Venezuela (1981)	5.0	47.3	4.8	49.5

Source: World Bank<sup>18</sup>

But income inequality is only one dimension, and often not the most important, of social inequality. Added to income polarisation in the 1980s and 1990s is the dramatic deterioration in social conditions as a result of austerity measures that have drastically reduced and privatised health, education and other social programmes. Popular classes whose social reproduction is dependent on a social wage (public sector) face a social crisis, while privileged middle and upper classes become exclusive consumers of social services channelled through private networks.

The escalation of deprivation indicators in Brazil and Mexico, which together account for over half of Latin America's 465 million inhabitants, is revealing. Between 1985 and 1990, the rate of child malnutrition in Brazil, where nearly 48 per cent of the country's 160 million people lived in poverty in 1990,<sup>19</sup> increased from 12.7 to 30.7 per cent of all children.<sup>20</sup> In Mexico, where over 50 per cent of the country's 90 million people are in poverty, the purchasing power of the minimum wage dropped 66 per cent between 1982 and 1991. It was calculated that in the mid-1990s it took 4.8 minimum wages for a family of four to meet essential needs, yet 80 per cent of households earned 2.5 minimum wages or less. As a result, malnutrition has spread among the urban and rural poor.<sup>21</sup>

Brazil, which is the seventh most industrialised country in the world, is an important case because it has one of the most unequal income distribution systems in the world. In development sociology, such a system is known as 'polarised accumulation', in which abundant wealth is generated but is concentrated in the top 20 per cent of the population, while the remaining 80 per cent become further impoverished. What we are seeing under globalisation is a generalisation of the Brazilian model of polarised accumulation to all of Latin America and to the global system as a whole. This type of social polarisation takes place as much within as between nations and regions. It is sustained by local social forces – local elites and privileged middle strata constituting 20 per cent of the population of each country and of the world population – who are advancing under globalisation. In an integrated global economy and society, development and underdevelopment increasingly connote social position more than geographic location.

### **Democracy and human rights: reclaiming the agenda**

By the late 1970s, authoritarianism as the predominant mode of social control in Latin America faced an intractable crisis.<sup>22</sup> On the one hand, the authoritarian regimes were besieged by mass popular movements for democracy, human rights and social justice that threatened to bring down the whole elite-based social order along with the dictatorships – as happened in Nicaragua in 1979. This threat from below, combined with the inability of the authoritarian regimes to manage the dislocations and adjustments of globalisation, generated intra-elite conflicts that unravelled the ruling power blocs. The crisis of elite rule was resolved through transitions to *polyarchy* that took place in almost every country in the region during the 1980s and early 1990s. Polyarchy refers to a system in which a small group actually rules, on behalf of capital, and participation in decision-making by the majority is confined to choosing among competing elites in tightly controlled electoral processes.<sup>23</sup>

What transpired in these contested transitions to polyarchy was an effort by transnational dominant groups to reconstitute hegemony through a change in the mode of political domination, from the coercive systems of social control exercised by authoritarian and dictatorial regimes to more consensually-based (or at least consensus-seeking) systems of the new polyarchies. At stake was what type of a social order – the emergent global capitalist order or some popular alternative – would emerge in the wake of authoritarianism. Emergent transnationalised fractions of local elites in Latin America, with the structural power of the global economy behind them, as well as the direct political and military intervention of the United States, were able to gain hegemony over democratisation movements and steer the breakup of authoritarianism into polyarchic outcomes.

Polyarchy is being promoted by the transnational elite in the South as the political counterpart to neo-liberalism. Transitions to polyarchy should be seen in light of the changing nature of transnational social control under globalisation. Interaction and economic integration on a world scale are obstructed by authoritarian or dictatorial political arrangements, which are unable to manage the expansion of social intercourse associated with the global economy. Authoritarian systems have tended to unravel as globalising pressures break up embedded forms of coercive political authority, dislocate traditional communities and social patterns, and stir masses of people to demand the democratisation of social life. With its mechanisms for intra-elite compromise and accommodation and for the hegemonic incorporation of popular majorities – or at least their political neutralisation rather than repressive exclusion – polyarchy is better equipped in the new global environment to legitimise the political authority of dominant groups and to achieve enough of a minimally stable environment for global capitalism to operate. The ‘democratic consensus’ in the new world order is a consensus among an increasingly cohesive global elite on the type of political system most propitious to reproduction of social order in the new global environment.

The transitions from authoritarianism to polyarchy in Latin America afforded transnational elites the opportunity to reorganise state institutions and create a more favourable institutional framework for a deepening of neo-liberal adjustment. In Latin America, without a single exception, the new polyarchic regimes, staffed by state managers tied to the transnational elite (the new ‘modernisers’ and ‘technocrats’) have pursued profound neo-liberal transformation. The transnational elite has demonstrated a remarkable ability to utilise the structural power of transnational capital over individual countries as a sledgehammer against popular grassroots movements for fundamental change in social structures. Indeed, it is this structural power of global capitalism to impose discipline through the market that (usually) makes unnecessary

the all-pervasive coercive forms of political authority exercised by authoritarian regimes.

But it is not at all clear that polyarchy can be maintained under neo-liberalism, much less that global capitalism is compatible with respect for human rights. The neo-liberal model of development by insertion into new global circuits of accumulation does not require an inclusionary social base. Socioeconomic exclusion is immanent in the model, since accumulation does not depend on a domestic market or internal social reproduction. This is a fundamental structural contradiction between the globalisation model of accumulation and the effort to maintain polyarchic political systems that require the hegemonic incorporation of a social base. The neo-liberal model generates social conditions and political tensions – inequality, polarisation, impoverishment, marginality – conducive to a breakdown of polyarchy. This is the fundamental contradiction between the class function of the neo-liberal states and their legitimisation function, which is a contradiction at the heart of global capitalism.

The human rights situation in Latin America is better than under the dictatorships, but this should not obscure our objective analysis. Social relations in daily life remain violent and ordered on authoritarian hierarchies. Rights abuses are still systematic and widespread, as the annual reports by the various human rights monitoring groups make clear. The new victims are now as much the social and economic outcasts as they are political dissidents.

The following are examples of what ‘social cleansing’ of the poor and undesirable has involved: the infamous mass murder of street children in Guatemala, Brazil, and elsewhere by police and death squads hired by affluent businessmen and local politicians; the death of thousands of poor people – the vast majority as they await trial – in countless prison uprisings in penitentiary systems unfit for human habitation; such grizzly scandals as the round-up and the execution by security forces in Colombia in 1995 of homeless individuals and their delivery to a private medical school as specimens for medical students to practise autopsies; the burning alive of an indigenous leader in Brasilia in early 1997 by upper-class teenagers for apparent amusement (they were acquitted of homicide), and so on.<sup>24</sup>

None of these cases are anomalies: they are all manifestations of the social power of a minority wielded against the outcast in a socio-economic system which, by its very nature, violates the human rights, of a majority of society’s members. When we speak of democracy and human rights, we should recall that the worldwide inequality in the distribution of wealth and power is a form of permanent structural violence against the world’s majority. This structural violence generates collective protest which calls forth state repression. This repression transforms, on a regular ongoing basis, structural violence into direct

violence. The structural violence of the socioeconomic system and violations of human rights are different moments of the same social relations of domination.

State repression organised by polyarchic regimes has been used throughout Latin America to repress protest against neo-liberal structural adjustment and has claimed thousands of lives. Almost every Latin American country has experienced waves of spontaneous uprisings, generally triggered by austerity measures, the formation in the shantytowns of movements of political protest among the urban poor, and a resurgence of mass peasant movements and land invasions, all outside the formal institutions of the political system, and almost always involving violent clashes between states and paramilitary forces and protesters.<sup>25</sup> These uprisings highlight the relationship between the violation of social and economic rights and the violation of 'traditional' human rights. Social polarisation brought about by neo-liberalism has generated mass conflict that the neo-liberal states have not been able to control without resorting to human rights violations.

### **The prospects of counterhegemony**

In the face of the onslaught of the new global capitalist order, old and new forms of resistance have spread throughout Latin America. Social movements of workers, women, environmentalists, students, peasants, indigenous, Afro-Americans, community associations of the urban poor and other sectors have burgeoned in Latin America and will play a central role in the development of any prospective counterhegemonic bloc to the current global capitalist order. These social movements are organised into a myriad of popular organisations, ranging from the Landless Workers Movement in Brazil to a reorganised Lavalas movement in Haiti, peasant coca growers' unions in Bolivia, the Madres del Plaza de Mayo in Argentina, the Campesino Unity Committee in Guatemala, independent community-based trade unions in Mexico, to name only a few out of literally thousands.

A crucial social movement is constituted by the growth of indigenous struggles throughout the Americas, often intertwined with peasant and rural worker struggles. The indigenous form a majority of the population in Guatemala and in Bolivia, huge minorities in Ecuador, Peru, Paraguay and Mexico, and have a significant presence in most other Latin American countries. In Mexico, the Zapatista uprising is a largely Mayan movement. It has forced Mexico and the world to recognise the multiethnic and multinational character of the country, and has also focused a spotlight on the persistence of a *de facto* apartheid system in Mexico after 500 years. Tellingly, the Zapatistas launched their struggle on new year's day, 1994, the very day that the North American Free Trade Agreement went into effect, as a highly symbolic way to protest

neo-liberalism and globalisation in Mexico and Latin America. In Ecuador, the indigenous have formed the Confederation of Indigenous Nationalities of Ecuador (CONAIE), a powerful organisation that forced the resignation, in February 1997, of the corrupt neo-liberal president, Abdala Bucaram. It has continued at the forefront of that country's struggle against neo-liberalism and for social justice. In Guatemala, Rigoberta Menchu shone the global spotlight on indigenous struggles when she won the Nobel Peace Prize in 1992, and the Mayan majority is engaged in a renewed mobilisation, assertiveness and political protagonism that some say has not been paralleled since resistance to the Conquest.

These diverse struggles have identified neo-liberalism and the local structures of global capitalism as the source of continued indigenous oppression. Therefore, as the indigenous fight for their own dignity, survival and liberation, they also represent and defend the interests of the entire poor majority.

The 1980s and early 1990s witnessed a flourishing of participation by women in diverse social movements in Latin America, along with a burgeoning of women's and feminist organisations. Women have mobilised to address collective problems that women, children and poor people face, and also to address the special forms of gender oppression and inequality that they suffer as women. By the 1990s, hundreds of feminist organisations were operating locally, nationally and trans-nationally in Latin America, linked into a powerful hemispheric network and to broader global networks.

The larger structural context to the upsurge in women's struggles is the dramatic change in the status of women in Latin America in recent decades. Globalisation has major implications for the sexual division of labour, for gender relations and for the transformation of the family itself. There has been a growing incorporation of women into the formal labour force under globalisation. With the decline in male employment and real wages brought about by neo-liberal restructuring, women have assumed a growing absolute and also relative importance as wage-earners and their contribution to household economies has increased. The reorganisation of production on a global scale is thus feminising the labour force (along with poverty) and changing the previous gender demarcation of domestic and wage labour. The transformation in the status of women, and particularly women's increasing centrality in both production and reproduction, intensifies the 'double burden'. It has galvanised poor and working women and fused women's and feminist movements in dynamic new social movements across Latin America.

Insertion into the global economy has resulted in a destructuring of the traditional working class, which has contributed to a weakening of labour relative to capital and to the change in the correlation of class forces. However, the restructuring of the labour-capital relation has also



led to a change in the centre of gravity of the working class. This has shifted from strategic sectors of national production and public services to the burgeoning urban informal economy. Labour resistance to neo-liberalism shifts from the old places of work, factories and offices, to new places, the streets and communities, where labour becomes less distinguishable as a particular organised constituency within social movements. Ironically, globalisation is generating the conditions for a new 'social unionism', and alliance with other social movements is increasingly the fulcrum of the labour movement.<sup>26</sup>

The organised Left, struggling over the past decade to adjust to the post-cold-war world and to globalisation, remains an important force in Latin America. It includes, to name but a few, the Workers Party in Brazil, the Sandinista National Liberation Front in Nicaragua, the Farabundo Martí National Liberation Front in El Salvador, the Party of the Democratic Revolution in Mexico, the Broad Front in Uruguay, the National Solidarity Front in Argentina, the Lavalas Family Party in Haiti, Causa-R in Venezuela, the Communist Party of Cuba, and the Communists in Chile.<sup>27</sup> A post-cold war Left is attempting to emerge in Latin America, struggling to come to terms with the new conditions presented by capitalist globalisation.

However, the crisis of the Left should not be understated. The dominant groups in Latin America have reconstituted and consolidated their control over *political society* but the new round of popular class mobilisation in the 1990s points to their inability to sustain hegemony in *civil society*. The renewal of protagonism demonstrated by subordinate groups at the grassroots level has been outside of state structures and largely independent of organised Left parties. Grassroots social movements have flourished in civil society at a time when the organised Left operating in political society has been unable to articulate a counterhegemonic alternative, despite its continued vitality. Many leftist parties, even when they sustain an anti-neo-liberal discourse, have, in their practice, abdicated earlier programmes of fundamental structural change in the social order itself. Their programmes in the 1990s were confined to strategies of state intervention in the sphere of circulation to achieve limited internal redistribution, while respecting the prevailing structure of property and wealth and the model of 'free-market' integration into the global economy.<sup>28</sup>

This raises critical issues that can only be addressed in brief here, due to space constraints. The failure of the Left to protagonise a process of structural change from political society has helped shift the locus of conflict more fully to civil society. Latin America may be moving to a 'war of position' between contending social forces in light of the subordinate groups' failure to win a 'war of manoeuvre' through revolutionary upheaval and the limits to 'power from above'. With the end of the cold war and the decline of formal leftist political parties,

these social movements increasingly mediate directly between the state and the broad popular masses. They are powerful agents of social change and, collectively, are defining a popular agenda against the current structures of power and privilege. However, an effective counterhegemony requires, among other things, four conditions that I wish to highlight here by way of conclusion:

*First, a political force and a broader vision of social transformation that can link these social movements.* The resistance of popular classes needs to be unified through a strategy of opposition to the broader structures that generate the particular conditions which each social movement is resisting.

Some argue that global economic and technological change have created a more fragmented and heterogenous social structure that engenders particularist, decentralised and disconnected forms of collective action. Latin American social movements are too partial to mount a hegemonic challenge or to contest the systemic logic of transnational capital and its power, which reveals the fundamental contradiction between the global concentration of power and wealth and the diverse but decentralised forms of resistance under global capitalism.<sup>29</sup>

Notwithstanding postmodernists' fragmented 'politics of difference' and rejection of 'grand narratives', a vision of transformation that departs from the social totality and a renovated Left are central conditions for the development of a counterhegemonic project. The challenge for popular social movements is how to fuse political with social struggles through the development of political instruments that can extend to political society (the state) the counterhegemonic space currently being opened up in civil society through mass mobilisation. The Left has espoused a commitment to the autonomy of social movements, to social change from the bottom up rather than the top down, to democracy within its organisations and to non-hierarchical practices over the old verticalism. These commitments need to be demonstrated in the actual practice of a renovated Left and etched into the organisational forms of a counterhegemonic project.

It is also worth noting in this regard that less coordinated mass protest is also the order of the day throughout Latin America. Hunger strikes, sit-ins, land invasions, marches, street-blockings and mass meetings in both the cities and the countryside are regular occurrences. An important question is to what extent these more inchoate oppositional forces will be mobilised into the existing and new social movements and augment their capacity to force structural change.

*Second, a viable socioeconomic alternative to neo-liberalism.* Neo-liberalism had by the mid-1990s achieved a certain hegemony in global society. The much-touted 'Washington consensus' reflects agreement over the transnational agenda of polyarchy and neo-liberalism among

an increasingly cohesive hemispheric elite, clustered in governments, the private sector and international financial and political agencies active in the hemisphere. It was indeed a *consensus* in that: it represented a congruence of interests among the hemisphere's dominant groups; these interests were being advanced through institutions that command power (the hemisphere's states and the transnational agencies), and this consensus had achieved ideological hegemony by setting the parameters for, and the limits to, debate among subordinate groups on options and alternative projects for the hemisphere.

The ability of social movements to contest the neo-liberal order depends on breaking this hegemony. But the struggle to *oppose* the neo-liberal order is inseparable from the struggle to develop a viable alternative and to *impose* that alternative. Without a concrete and viable programmatic alternative, resistance to neo-liberalism runs the risk of becoming trapped in a reformism that does not challenge the logic of the prevailing system.

The creation of an alternative cannot be willed into existence. It can only emerge out of ongoing political and economic struggles. The problem of the particular neo-liberal model of development discussed earlier in this article is, in the end, symptomatic of the *systemic* problem of global capitalism. Beyond calling for a mere change in the particular form of accumulation, a counterhegemonic alternative needs to challenge the logic of the market in its programme and ideology. An anti-neo-liberal agenda, however important, must develop into an anti-capitalist – that is, socialist – alternative.

*Third, popular classes need to transnationalise their struggles.* Developing a viable alternative socioeconomic programme is not enough in itself. Social forces operating through nationally-based social movements need to transpose to transnational space their mobilisation and their capacity to place demands on the system. It is at the transnational level that the causes are to be found of the conditions which these movements seek to address.

The global mobility of transnational capital and the increasing separation of accumulation from determined geography, among other factors, means that the process of capital accumulation is now less mediated by nation-state institutions and less under the control of social forces operating within the bounds of nation states than in earlier periods in the history of world capitalism. The tremendous structural power that accrues under the global economy to the transnational elite and their local counterparts has altered the terms of struggle between dominant and subordinate groups and requires a shift from national to transnational emancipatory struggles.

What, then, is the potential power of popular majorities within a transnational setting? To ask this is to ask what are the prospects that social movements will develop the mechanisms that allow for

transposition of local and national organising strength to a transnational space. Latin American social movements had, in fact, begun to transnationalise in the 1990s, moving to create alliances, networks and organisations that transcend national and even regional borders.<sup>30</sup>

The neo-liberal states in Latin America face mounting crises of authority and legitimacy, as the hegemonic groups find it increasingly difficult to maintain governability and assure social reproduction. The crisis and eventual collapse of neo-liberalism may create the conditions favourable to winning state power and promoting an alternative. It is not clear, however, how effective national alternatives can be in transforming social structures, given the ability of transnational capital to utilise its structural power to impose its project even over states that are captured by forces adverse to that project. The real prospects for counterhegemonic social change in the age of globalisation might be a long march in the Gramscian sense through an expanding transnational civil society; a globalisation-from-below movement that seeks to challenge the power of the global elite by accumulating counterhegemonic forces beyond national and regional borders.

*Fourth, organic intellectuals subordinate to and in the service of popular majorities and their struggles.* While space constraints do not allow detailed discussion, one of the peculiar features of the current epoch in Latin America has been the separation of many organic intellectuals from the mass struggles against globalisation. Many intellectuals who earlier identified with popular and revolutionary movements have ceded – whether through outright opportunism or sincere confusion – a certain intellectual hegemony to global capitalism. For these intellectuals, the structural constraints set by the system have become accepted and the only alternatives put forward as legitimate and ‘realistic’ are those that respect these constraints. We should recall that the extent of social change may be fixed by historic structures but the outer limits of these structures are always established and re-established by collective human agency. It is only through struggle against established historic structures that the extent to which they can become transformed is revealed. Intellectual labour as a form of social action may constrict just as it may extend the limits of change.

By way of conclusion, I want to call for the development of a critical Latin American and globalisation studies. At issue here is how organic intellectuals assume our responsibilities in our institutions, such as our universities and the mass media, as scholars, as journalists, as opinion-makers, as organisers and as cultural agents. All intellectual labour is ‘organic’. It either legitimates the prevailing social order and provides technical solutions to the problems that arise in its maintenance or it exposes contradictions and reveals how they may be resolved by transcending the existing order. It is the responsibility of intellectuals to apply our training and experience to elucidating the real inner workings

of the social order and the contradictions therein.

A critical Latin American and globalisation studies should expose the dominant mythologies of our epoch, such as the notion that 'sustainable development' is actually possible under global capitalism, that Latin America has been 'democratised', and so on. Such a critical studies needs to exercise in its intellectual labour a 'preferential option' for the subordinate majorities of emergent global society and for the future latent within them. Our analysis should focus on the issue of human agency, with how our collective action may influence the direction of structural change, and what we can achieve by working together to move beyond the proclaimed limits of the possible.

## References

- 1 For a summary, see William I. Robinson, 'Globalisation: nine theses of our epoch', *Race and Class* (Vol. 38, no. 2, 1996), pp. 13-31. For a review of some of the debates on globalisation, see Roger Burbach and William I. Robinson, 'The *fin de siècle* debate: globalisation as epochal shift', forthcoming in *Science and Society*.
- 2 Neo-liberalism is the specific mechanism that adjusts national and regional economies to the global economy by creating the conditions, including the appropriate macroeconomic and policy environment, the legal framework, and so on, for internal productive reorganisation and insertion into the global economy. These themes are analysed in William I. Robinson, 'Maldevelopment in Central America: globalisation and social change', *Development and Change* (Vol. 29, 1998), pp. 467-97. For analysis of neo-liberal adjustment in Latin America, see also Duncan Green, *Silent Revolutions: the rise of market economics in Latin America* (London, Cassell/Latin America Bureau, 1995).
- 3 On this point, see Green, *ibid.*; Robinson, *ibid.*
- 4 See James A. Wilkie (ed.), *Statistical Abstracts for Latin America* (SALA), (Los Angeles, UCLA Latin American Center Publications, 1995), Vol. 31.
- 5 World Bank, *World Development Report* (Washington, D.C. and New York, World Bank and Oxford University Press), 1991 and 1997 reports.
- 6 *Ibid.*, reports for 1991 and 1992.
- 7 Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean*, (Santiago, Chile, United Nations, annual reports from 1983-1996).
- 8 *Ibid.*
- 9 For example, of \$91 billion that flowed into Mexico between 1990 and 1993, \$61 billion was in such financial portfolio investment and only \$16.6 billion was in direct investment. See Carlos Marichal, 'The vicious cycles of Mexican debt', *NACLA Report on the Americas* (Vol. XXXI, no. 3, Nov/Dec. 1997), p. 28. For discussion, see also, Valpy Fitzgerald, 'Asia's financial crisis: what it can teach us', *ENVIO* (Vol. 17, no. 200, March 1998), pp. 33-38; Henry Veltmeyer, 'Latin America in the New World Order', *The Canadian Journal of Sociology* (Vol. 22, no. 2, 1997), pp. 197-242.
- 10 According to ECLAC, *op. cit.*, reports 1985 and 1994-95, Latin America's external debt grew as follows:

1980	1985	1989	1990	1991	1992	1993	1994
230	374	425	442	457	475	506	533

Moreover, the annual growth rate of this debt is as follows:

1979-81	1982-3	1984-90	1991-3	1994
22.9	11.2	3.2	4.6	5.3

For discussion on the continued debt crisis, see the *NACLA Report on the Americas* dedicated to this theme, 'Still paying: ten years after the debt crisis' (Vol. XXXI, no. 3, Nov/Dec. 1997).

- 11 This does not mean that East Asia does not face its own social crisis and contradictions under globalisation, including the breakdown of pre-globalisation national models of accumulation, the integration of local elites into the transnational elite and the subordination, along with it, of national accumulation logics to the logic of global accumulation, new patterns of polarised accumulation, and so on. But such a discussion is the subject of another article.
- 12 Space constraints limit discussion, but note that the principal contradiction among dominant classes worldwide under globalisation is between national-based fractions of capital and transnational fractions. This contradiction has, in fact, become politicised in many countries of Latin America and the world, and helps to explain many visible conjunctural disputes among ruling classes and states within and between countries.
- 13 The following table reveals the dramatic plunge in real wages in Latin America:

Evolution of Urban Real Minimum Wage in Latin America  
(select countries/index: 1980 = 100)

	1983	1986	1989	1990	1991	1992
Argentina	137	110	42	40	56	48
Brazil	96	89	72	53	60	57
Chile	94	73	80	88	96	100
Colombia	108	114	111	108	104	102
Dominican Republic	81	86	78	65	66	80
Ecuador	64	65	47	39	34	33
El Salvador	77	58	37	35	34	35
Guatemala	115	69	68	48	39	35
Mexico	77	65	51	46	44	42
Paraguay	94	108	138	132	126	116
Peru	81	57	25	23	16	16
Uruguay	87	89	78	69	62	60
Venezuela	74	90	73	59	55	61

Source: SALA, op. cit.

- 14 See World Bank, *Poverty and Income Distribution in Latin America: the story of the 1980s* (Washington, D.C. World Bank, 1997).
- 15 See Comision Economica para America Latina (CEPAL), *Panorama Social de America Latina* (Santiago, Chile, CEPAL/United Nations, various reports).
- 16 'Great reforms, nice growth, but where are the jobs?', *The Economist* (21 March 1998), pp. 37-38.
- 17 *Poverty and Income Distribution in Latin America*, op. cit.
- 18 *Ibid.*
- 19 United Nations Development Programme (UNDP), *Human Development Report 1995* (New York, Oxford University Press/UNDP, 1995).
- 20 *Poverty and Income Distribution in Latin America*, op. cit.
- 21 See David Barkin, Irene Ortiz, and Fred Rosen, 'Globalisation and resistance: the remaking of Mexico', *NACLA Report on the Americas* (Vol. XXX, no. 4, Jan/Feb. 1997), pp. 14-27.
- 22 For detailed discussion of the issues raised in this section, see William I. Robinson, *Promoting Polyarchy: globalization, US intervention, and hegemony* (Cambridge and

- New York, Cambridge University Press, 1996).
- 23 Polyarchy does not bring an end to class domination but only a change in the mechanisms for mediating relations between dominant and subordinate groups. An effectively functioning polyarchic system (such as that in place in the United States) does not mean an end to coercion but a more selective application than under a dictatorship and that such repression becomes 'legalised' (legitimated) by civilian authorities, elections, and a constitution. See Robinson, *ibid.*
  - 24 For discussion on these incidents, see *Latinamerica Press*, 'Special issue: the face of human rights in the '90s' (Vol. 27, no. 10, 23 March, 1995); 'Pope's visit raises hopes, frustrations' (Vol. 29, no. 37, 29 October, 1997).
  - 25 See Green, *op. cit.*; John Walton and David Seddon, *Free Markets and Food Riots: the politics of global adjustment* (Oxford, Blackwell, 1994).
  - 26 For an extended analysis of this new 'social movement' unionism in the context of the restructuring of the global working class, see Kim Moody, *Workers in a Lean World: unions in international economy* (London, Verso, 1997).
  - 27 To be sure, many of these Left organisations have suffered internal fissures and outright splits, often between more radical fractions and those willing to accommodate to neo-liberalism. The radicals in Causa R, for instance, broke off and formed the Homeland For All (PPT) party in 1997. The Lavalas Family is itself the result of the splintering of the Lavalas Political Organization. And so on.
  - 28 For instance, the PRD in Mexico, the FREPASO in Argentina, the FSLN in Nicaragua, Lavalas in Haiti and other groups, have not challenged neo-liberalism in their programmes put forward during major elections in the late 1990s, and in fact were careful to allay the fears of transnational capital in these programmes. Space constraints limit discussion, but the experience of Cuba in recent years – the survival of the revolution and its ongoing transformation, even as it has been forced to integrate into world capitalism and despite its internal problems – should be studied for the lessons it may offer, and I do not concur with the assessment of some progressives that the Cuban revolution should now be dismissed. For that assessment, see, e.g., Roger Burbach, 'Socialism is dead: long live socialism', *NACLA Report on the Americas* (Vol. XXXI, no. 3, Nov/Dec, 1997), pp. 15-20.
  - 29 For example, see Fernando Calderon, *Movimientos Sociales y Política: la década de los ochenta en Latinamerica* (Mexico City, Siglo XXI, 1995).
  - 30 For instance, cross-border organising has been extended and systematised in the wake of multinational US-Canadian-Mexican trade union coordination against the NAFTA in 1993. In Central America, community-based social movements have formed the Central American Federation of Community Organisations (FCOC) to coordinate strategy and action throughout the Isthmus, and the peasant movements in South America have formed the Latin American Peasant Confederation (CLOC).

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## The Asian economic implosion: causes, dynamics, prospects

The Asian financial crisis is now into its second year, and there is no relief in sight. Indeed, a brief survey of the social scene reveals an almost universally depressing landscape (though there are some optimistic vignettes here and there).

- What Koreans call 'IMF suicides' are said to be on the increase in Seoul these days. This phenomenon refers to males who are laid off taking not only their own lives but also those of their wives and children, presumably out of a belief that no one will be left to care for them in this life.
- Earlier this year, Thais woke up to television images of workers battling police in the streets, then being herded prisoner-of-war style into police vans. Viewers thought the scenes were from Korea and were surprised to learn that they were from Thailand, a country well known for its non-confrontational culture.
- In Indonesia, the economy is expected to contract by 15 to 25 per cent in 1998, but there is a silver lining to this tragedy: the government's decision to implement an IMF directive to end energy subsidies last May provoked a mass uprising that overthrew the 32-year-old Suharto dictatorship.

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*Race & Class*, 40, 2/3 (1998/99)

Welcome to Asia 1998 – a zone of economic collapse, social crisis, IMF suzerainty and political turbulence.

Living through current events, one experiences a time warp, a throwback to 1968, when East Asia was the world's prime crisis area. It is hard to imagine that this is the same region that was being touted as recently as fifteen months ago as the 'engine of the world economy' far into the twenty-first century. I think it is fair to say that the East Asian implosion is probably the second biggest surprise of the twentieth century after the collapse of the economies of eastern Europe. What happened? Why were Asia's tiger economies so fragile after all?

### **The collapse**

In recent months, 'crony capitalism' has become the all-purpose explanation for the Asian economic collapse. Lack of transparency of financial institutions, a government-business relationship permeated with corruption and the non-accountability of political and economic authorities are said to be the practices that brought the Asian tigers to their knees.

The problem with this explanation is that the practices of 'crony capitalism' were very much part of economic life in the three decades that East Asian countries led the world in GNP growth. Crony capitalism has, in recent months, become so elastic in its connotations – which range from corruption to any kind of government activism in economic policy-making – as to become useless as an explanatory construct. It is one thing to say that corruption has pervaded relations between government and business in East Asia. It has, as it also has in Italy or the United States, where it is legalised through such mechanisms as 'political action committees' (PACs) that make support of politicians contingent on promises of favourable treatment of corporate interests. It is quite another thing to say that corruption is the principal reason for the downfall of the East Asian economies.

Though the *Wall Street Journal* and the *Economist* regularly pronounce crony capitalism to be the villain of the piece, many financial insiders in Asia find the thesis ridiculous. Perhaps the matter is best put in perspective by Kenneth Courtis, chief economist for the Deutsche Bank Group Asia Pacific:

We have been told for a year that this crisis is the result of some politicians in Bangkok who got their hands caught in the cookie jar. Can you believe for a moment that a country that has a GNP a third of the capitalization of General Electric all of a sudden – as if it never had corrupt politicians before – gets things wrong and could set off a global, systemic, virulent financial crisis that's shaking markets around the world?!

While not denying that corruption may have been an accessory to the collapse, many serious analysts have come round to the view that a far greater role was played by the unregulated flows of global capital. Like the Mexican financial collapse of 1994, the Asian crisis is essentially a product of the globalisation of financial markets. Or as Courtis, using the financial analyst's jargon, puts it: 'This crisis is not an Asian crisis. It's a global emerging market crisis.'<sup>2</sup>

A close look at the rise and fall of the South-east Asian 'tigers' reveals the central role of a development process sustained not principally by domestic savings and investment but by huge infusions of foreign capital. In the late 1980s, the region's growth was heavily dependent on Japanese direct investment. When this began to taper off in the early '90s, the region's financial and technocrat elites sought other sources of foreign capital. These they found in the portfolio investors and big international banks that were scouring the globe at around the same time in search of alternatives to the low real interest rates and declining returns in the stock markets of New York, London, Tokyo.

Mediating the relationship between the banks and investors and what came to be fashionably termed the 'big emerging markets' was the International Monetary Fund (IMF), which pushed the Asian financial authorities incessantly to liberalise their capital accounts and open their financial sectors more fully to foreign participation. With the blessing of the Fund, the authorities added two more ingredients: high interest rates and a fixed rate of exchange between the local currency and the dollar to insure investors against the risk of devaluations that could erode the value of their investments. This formula was wildly successful in bringing in capital: according to Washington's Institute of International Finance, net private capital flows to Indonesia, Malaysia, the Philippines, Thailand and Korea shot up from \$37.9 billion in 1994 to \$79.2 billion in 1995 to \$97.1 billion in 1996.<sup>3</sup>

However, there were two fundamental problems with this strategy, which came together in harrowing fashion in 1997. First, as economists Jayati Ghosh and C.P. Chandrasekhar have pointed out, there was a basic contradiction between encouraging foreign capital inflows and keeping an exchange rate that would make a country's exports competitive in world markets. The former demanded a currency pegged to the dollar at a stable rate in order to draw in foreign investors. With the dollar appreciating in 1995 and 1996, so did the pegged South-east Asian currencies and so did the international prices of South-east Asian exports. This process cut deeply into the competitiveness of economies that had staked their growth on ever increasing exports.<sup>4</sup>

The second problem was that the bulk of the funds coming in consisted of speculative capital seeking high and quick returns. With little regulation of its movements by governments that had bought into the IMF's *laissez-faire* ideology and had little experience in handling

such massive inflows, foreign capital gravitated not to the productive sectors of the economy like agriculture and manufacturing but to the stock market, consumer financing and, in particular, real estate. In Bangkok at the height of the real estate boom in the early 1990s, land values were higher than in urban California!

Not surprisingly, a glut in real estate developed quite rapidly, with Bangkok leading the way with \$20 billion worth of new commercial and residential space unsold by 1996. Foreign banks had competed to push loans on to Thai banks, finance companies and enterprises in the boom years of the early 1990s. In 1996, it began to sink in that their borrowers were loaded with non-performing loans.

At the same time, alarm bells were sounded by the flat export growth rates for 1996 – an astonishing zero growth in the case of both Malaysia and Thailand – and burgeoning current account deficits. Since a foreign exchange surplus gained through consistently rising exports of goods and services was the ultimate guarantee that the massive foreign debt contracted by the private sector would be repaid, this was a massive blow to investor confidence. What the investors failed to realise, however, was that the very policy of maintaining a strong currency that was calculated to draw them in was also the cause of the export collapse. And what many also failed to realise was that the upgrading of the quality of exports which could have counteracted the rise in export prices had been undermined by the easy flow of foreign money into the speculative sectors of the economy, as manufacturers chose to channel their investments there to gain quick profits, instead of pouring them into research and development and upgrading the skills of the workforce.<sup>5</sup>

By 1997, it was time to get out and, because of the liberalisation of the capital account, there were no mechanisms to slow down the exit of funds. With hundreds of billions of *baht* chasing a limited amount of dollars, the outflow of capital could be highly destabilising. What converted a nervous departure into a catastrophic stampede were the currency speculators who, gambling on the eventual devaluation of the *baht*, in fact accelerated it by unloading huge quantities of *baht* in search of dollars. By 2 July, 1997, the decade-long peg of the *baht* to the dollar at 25 *baht*: \$1 was abandoned, and the Thai currency went on to lose over 50 per cent of its value in the space of a few months.

In Jakarta, Manila and Kuala Lumpur, there occurred the same sequence of property glut, non-performing loans, the departure of foreign capital turned into a panic by currency speculators, the currency crash. South-east Asia's other currencies lost 30 to 80 per cent of their value. The scale of destabilisation caused by the panic is indicated by the figures: from a net inflow of \$93 billion in 1996, private capital flow into the five most troubled Asian economies turned into a net outflow of \$12 billion in 1997.<sup>6</sup>

### A failure of leadership

The scale, depth and swiftness of the crisis demanded a decisive leadership to formulate and implement a comprehensive strategic response. But there has only been one government that has behaved in a regionally responsible fashion, and that is China. China contributed money to rescue funds for Thailand, Indonesia and Korea. It offered to back the proposed Asian Monetary Fund with its reserves. And it has refrained from devaluing its currency, the *renminbi*, so as not to stand in the way of an export-led recovery by its neighbours.

But, the behaviour of the Chinese aside, effective leadership has been the most scarce currency in the Asian currency crisis.

Valuable time was lost when, instead of acknowledging that volatile capital flows brought about by liberalisation of the capital account and financial liberalisation were the fundamental cause of the crisis, Washington and the IMF insisted that 'crony capitalism' or corrupt relations between the private and public sectors was the main issue and that the solution lay principally in eliminating corruption and achieving greater 'transparency'. Instead of leading an effort to stabilise and reflate the region in a manner akin to the way it revived western Europe with the Marshall Plan after the second world war, Washington has, in the opinion of many, forsaken 'enlightened self interest' and opportunistically seized the opportunity to use the IMF to advance its bilateral agenda for the region – that is, to batter down the tariff and investment barriers to US exports and capital.

And, instead of standing up to Washington and the IMF to provide an alternative economic programme to shore up the regional economy, Japan has failed to live up to the rest of Asia's expectations that it would be prepared to take a regional leadership role. For it yielded to Washington's pressure to scrap its plan to set up a \$100 billion Asian Monetary Fund (AMF) that would have defended the Asian currencies from investor panic and further speculative attack.<sup>7</sup> Japan, in fact, has missed the boat, in the opinion of many Asians. They do not think the Japanese will ever be able to break with the psychology of the Occupation, and that this is now the key factor preventing Japan from making decisions that would reflate the region as well as accord with its self-interest – since Asia, before the crisis, was a bigger trading partner and a source of more profits from investments than the United States.

### The IMF worsens the crisis

*Instead of effective leadership, the region got the IMF.*

In response to the regional collapse, the IMF assembled rescue packages totalling \$120 billion for Korea, Indonesia and Thailand. But the institution soon found itself under fire from critics in the North and

South, from both progressives and conservatives. A major criticism levelled at the Fund is that, by promoting a policy of indiscriminate capital account liberalisation among the East Asian economies, it has been a central cause of the crisis. Not only is this the case, but the IMF stabilisation programmes continue to push radical financial liberalisation, ignoring the mounting evidence that it was uncontrolled capital movements that triggered the crisis.

Critics also charge that, while the bail-outs are being billed as a rescue of these economies, they are actually geared to providing a guarantee to the international private banks that the debt to them will be repaid by the borrowing countries. Thus the IMF rescue programmes, by sparing foreign investors and banks from the penalties of the market, encourage 'moral hazard' or continued irresponsible lending in the future. A third charge levelled against the Fund is that it is being manipulated by its principal and strongest stockholder, the United States, to push trade and investment reforms that would principally benefit US economic interests. In the case of Korea, for instance, the US Treasury Department and the IMF have not concealed their close working relationship.

Not surprisingly, the concessions made by the Koreans in the negotiation of the IMF programme – including raising the limit on foreign ownership of corporate stocks to 55 per cent and full liberalisation of the local capital market – have a one-to-one correspondence with Washington's bilateral economic policy towards Korea over the last decade. As the under-secretary of the US Treasury Department, Larry Summers, has candidly admitted: 'In some ways the IMF has done more in these past months to liberalise these economies and open their markets to US goods and services than has been achieved in rounds of trade negotiations in the region.'<sup>8</sup>

Perhaps the most powerful criticism of the IMF is that it is imposing the wrong solution on the financially devastated countries. The universal prescription of the Fund consists of the maintenance of high interest rates and significant cuts in government expenditures. Promoted as necessary to bring back foreign investors and stabilise economies, the adjustment programmes are engineering recessions. Expansionary fiscal and monetary policies, say critics like Harvard's Jeffrey Sachs, are needed to counter the collapse of private investment and prevent the economies from going into a free fall.<sup>9</sup> And if the intention is – as the IMF says it is – to bring back foreign investment into these countries, how would this be accomplished by engineering a recession that promises little or nothing in the way of profits? The view that IMF programmes are making a bad situation worse is no longer a fringe view. It is shared by many World Bank technocrats, including, reportedly, the Bank's chief economist Joseph Stiglitz,<sup>10</sup> as well as by key members of the US Congress, who have so far refused to approve the

\$14.5 billion demanded by the Clinton administration to fund a US quota increase, on the grounds that it would be throwing good money after bad.

The resolution to this policy debate on the role of the IMF will have major consequences on the ground. In Thailand, it can no longer be denied that the depressive effects of the financial crash have been deepened by the IMF programme, resulting in a change from the initial IMF estimate of a 2.5 per cent growth in gross domestic product in 1998 to the latest estimate of a negative 8 per cent growth. Similarly, the Korean economy is contracting much faster than anticipated under the Fund's stabilisation programme, with the IMF revising its early estimate of GDP growth in 1998 from 1 per cent to a negative 1 per cent. As for Indonesia, the most optimistic estimate is that the GNP will contract by 15 per cent this year, with most private analysts projecting a decline of 20-25 per cent.

These macroeconomic indicators translate into tremendous suffering on the ground. Already, 2.2 million people in Thailand – around 6 per cent of the work-force – have been thrown out of work by a combination of the financial crisis and the IMF-engineered recession. With an average of 2,000 people losing their jobs every day, total unemployment at the end of 1998 is expected to encompass four million workers, or 15 per cent of the work-force. In Indonesia, the recently renegotiated programme will certainly accelerate an economic free-fall that has already raised the number of people living below the poverty line from 22.5 million to 118.5 million, or from 11.2 per cent of the population to 60.6 per cent. In Korea, many observers estimate that the number of unemployed will exceed two million by the end of 1998, or 9 per cent of the work-force. These bleak prospects will require a great deal of psychological adjustment on the part of a labour force that is accustomed to a system of life-time employment and receives little or nothing in the way of unemployment compensation.

### **Crisis and opportunity?**

*With people throughout Asia with their backs to the wall, what is to be done?*

Launching into the prescriptive mode is the most challenging – and frustrating – part of any analysis, but, as people in Bangkok say these days, current policies are so bad that any alternative would be better. The most urgent need at the moment is to put a stop to the depressive programmes of the IMF and to launch expansionary programmes based on aggressive deficit spending and bringing down interest rates. While some governments, such as Thailand's, are beginning to stand up to the Fund and – with some success – pushing reflationary pro-

grammes, it will take a coordinated effort among the governments of the region to effect a policy reversal.

Regional cooperation is the order of the day not only when it comes to dealing with the Fund but on a number of pressing issues as well: macroeconomic policy, trade policy, currency stabilisation and foreign debt policy. Coordination on currency stabilisation and debt repayment strategies is especially crucial.

With respect to currency stabilisation, it is critical to convince Japan that it needs to defy the US and resurrect its proposal for an Asian Regional Fund that would pool together the reserves of the reserve-rich countries – Japan, China, Taiwan, Hong Kong and Singapore – into a \$100 billion war chest aimed at defending the region's currencies against the moves of speculators. On debt strategy, the East Asian economies must not repeat the experience of the 1980s, when the creditors united behind the IMF to take advantage of the disunity of the debtors, picked them off one by one and imposed draconian debt repayment programmes on all. The renegotiation of the debt must be carried out on the basis and principle that a large part of it is private debt, and that both private debtors and private lenders must be forced to accept the penalties imposed by the market for making wrong decisions. The burden of servicing the debt must not be pushed on to the people, which is the IMF solution. Public monies must not be used to bail out big private creditors.

On the domestic front, there must be a comprehensive strategy with short-term, medium-term and long-term components. The short term must include bringing down interest rates and using currency controls to stabilise the exchange rate – a measure that even a neoclassical economist like Paul Krugman now proposes.<sup>11</sup> This is the easy part. More difficult are the medium and long-term measures to set these economies on a firmer, more healthy foundation. These measures must respond to the reality that neither the free-market approach nor the dominant approach of state-assisted capitalism is an appropriate response to the crisis. What is badly needed is an approach that transcends the increasingly irrelevant state vs. market dichotomy.

The key lesson of the crisis is not too much state intervention but the lack of it. The rapid entry and exit of billions of dollars of speculative capital, the flow of this capital into real estate, the shifting of funds to speculative activities that should have gone into research and development (as happened with the *chaebol* in Korea) – all of these could have been prevented by a state willing to discipline the market. At the same time, state intervention geared to promoting specific private interests, as was the case in Indonesia, is not desirable either. This is not so much because it stymies growth, as the crony capitalist thesis argues, but because it promotes growth of the wrong kind, increases social inequality and triggers environmental degradation.<sup>12</sup> Thus, the state



must be reformed along the lines of more transparency, more accountability and more democratic surveillance of government; however, the aim of this enterprise is not to banish the state as an economic agent but to enable it to regulate the market more effectively.

What is being advanced here is not just the reform of the state but the transformation of the economic regime. While market and state must continue to play a vital economic role, the fundamental mechanism of production, distribution and exchange will have to be located elsewhere. The view emerging in many circles is that the fundamental economic mechanism must be democratic decision-making by communities, civic organisations and people's movements. The challenge is how to operationalise such institutions of economic democracy.

This movement towards economic democracy must facilitate transformations in other key dimensions of the economy along the following lines:

- Foreign investment continues to be important for development, but it must be direct foreign investment, not speculative investment. For, as even Singapore's *Business Times* (a newspaper which is not exactly noted for its radical views) has noted, one of the key lessons of the crisis is that 'short-term capital inflows are of highly dubious benefit when all they do is to finance asset inflation (stocks and real estate) and a nation is arguably better off without them.'<sup>13</sup> Moreover, investment must be direct foreign investment of the right kind, the kind that contributes to improving the technological capacity of the economy, respects labour standards and does not degrade the environment. Much of the 'growth' promoted by Asia's fast-track capitalism has really been purchased at the price of social welfare and the environment.
- While foreign investment of the right kind is important, growth must be financed principally from domestic savings and investment. This means good, progressive taxation systems. One of the key reasons for the adoption of fast-track development strategies was that the elites of East Asia did not want to tax themselves to produce the needed investment capital. Even in the depths of today's crisis, conspicuous consumption continues to mark the behaviour of Asia's elites. Regressive taxation systems are the norm in the region, where income taxpayers are but a handful and indirect taxes that cut into the resources of lower-income groups are the principal source of government expenditures.
- Another major change concerns the domestic market's role in development. While export markets are important, development must be re-oriented around the domestic market as the principal locomotive of growth. Together with the pitfalls of excessive reliance on foreign capital, the lessons of the crisis include the consequences of the

tremendous dependence of the region's economies on export markets. This has led only to extreme vulnerability to the vagaries of the global market and sparked the current self-defeating race to 'export one's way out of the crisis' through competitive devaluation of the currency. This idea is but the latest and most desperate manifestation of the panacea of export-oriented development.

- Making the domestic market the engine of development brings up the linkage between sustained growth and equity, for a 'Keynesian' strategy of enlarging the domestic market to generate growth means increasing effective demand or bringing more consumers into the market via a comprehensive programme of asset and income redistribution, including land reform. There is in this, of course, the unfinished social justice agenda of the progressive movement in Asia – an agenda that has been marginalised by the regnant ideology of growth during the miracle years. Vast numbers of people remain marginalised because of grinding poverty, particularly in the countryside. Land and asset reform would simultaneously bring them into the market, empower them economically and politically, and create the conditions for social and political stability. Achieving economic sustainability based on a dynamic domestic market can no longer be divorced from issues of equity.

- While there are other elements in the alternative development thinking taking place in the region, one universal theme is 'sustainable development'. The centrality of ecological sustainability is said to be one of the hard lessons of the crisis. For the model of foreign capital-fuelled high-speed growth is leaving behind little that is of positive value and much that is negative. In the case of Thailand, at least, it is hard to dispute this contention by the reformers. As any visitor to Bangkok these days would testify, twelve years of fast-track capitalism is leaving behind few traces except industrial plant that will be antiquated in a few years, hundreds of unoccupied high-rises, a horrendous traffic problem that is only slightly mitigated by the repossession of thousands of late-model cars from bankrupt owners, a rapid rundown of the country's natural capital and an environment that has been irreversibly, if not mortally, impaired, to the detriment of future generations.

In place of 8 to 10 per cent growth rates, many environmentalists in the region are now talking of rates of 3 to 4 per cent, or even lower. This links the social agenda with the environmental agenda, for one reason for the push for high growth rates was so that the elites could corner a significant part of economic growth while still allowing some growth to trickle down to the lower classes for the sake of social peace. The alternative – redistribution of wealth – is clearly less acceptable to the ruling groups, but is the key to a pattern of development that combines economic growth, political stability and ecological sustainability.

Articulating these ideas in this manner makes the process appear like one that will be won through on rationality. Would that this were the case! In fact, these ideas and other progressive proposals remain to be welded together into a coherent strategy, and that strategy in turn awaits a mass movement to carry it. The emergence of such a movement must not be underestimated. One clear lesson of the crisis is that the region's elites are anachronistic. They will fight their displacement, as Suharto did, but the drastic loss of legitimacy stemming from their economic mismanagement provides a window of opportunity for progressive movements, like Thailand's Forum of the Poor – a unique alliance of environmentalists, farmers and workers – to translate their ideas into effective political strategies for change. Frozen during the years of the long boom, mass politics with a class edge is about to return to centre stage.

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# Globalism and the prison industrial complex: an interview with Angela Davis

*Angela Y. Davis is Professor of History of Consciousness at the University of California, Santa Cruz. A prolific speaker and internationally renowned activist, Davis is the author of several books, including **Women, Race & Class** (Vintage, 1983) and **Blues Legacies and Black Feminism** (Pantheon, 1998). For almost thirty years, Angela Davis has been working to radically change the US penal system. During the last ten years, her teaching, writing, speaking and organising efforts have been intensively focused on exposing the prison industrial complex and on working for its abolition. Most recently, these efforts culminated in a large national conference and strategy session, **Critical Resistance: beyond the prison industrial complex**, held on September 24-27, 1998 at the University of California, Berkeley. **Dispossession and Punishment: essays on the prison industrial complex and the new abolitionism**, a forthcoming book, presents Davis's recent research and writing on prisons, some of which is excerpted here. In July, Avery Gordon, author of **Ghostly Matters: haunting and the sociological imagination** (University of Minnesota Press, 1997) and other works, spoke with Angela Davis about the prison industrial complex and its threats.*

\* \* \*

*Avery Gordon: I'd like to begin by asking you to describe what is meant by the 'prison industrial complex'.*

*Angela Davis: Almost two million people are currently locked up in the*

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immense network of US prisons and jails. More than 70 per cent of the imprisoned population are people of colour. Approximately five million people – including those on probation and parole – are directly under the surveillance of the criminal justice system. Three decades ago, the imprisoned population was approximately one-eighth its current size. While women still constitute a relatively small percentage of people behind bars, today the number of incarcerated women in the state of California, where we live, alone is almost twice the entire state and federal women's population of 1970. In fact, the fastest growing group of prisoners are Black women. According to Elliott Currie, '[t]he prison has become a looming presence in our society to an extent unparalleled in our history – or that of any other industrial democracy. Short of major wars, mass incarceration has been the most thoroughly implemented government social programme of our time'.<sup>1</sup>

Penal infrastructures must be created to accommodate this rapidly swelling population of caged people. Goods and people must be provided to keep imprisoned populations alive. Sometimes these populations must be kept busy and at other times – particularly in repressive super-maximum prisons and in Immigration and Naturalization Service (INS) detention centres – they must be deprived of virtually all meaningful activity. Vast numbers of handcuffed and shackled people are moved across state borders as they are transferred from one state or federal prison to another. All this work, which used to be the primary province of government, is now also performed by private corporations, whose links to government in the field of what is euphemistically called 'corrections' reveal dangerous resonances with the military industrial complex. The dividends that accrue from investment in the punishment industry, like those that accrue from investment in weapons production, only amount to social destruction. Taking into account the structural similarities and profitability of business-government linkages in the realm of military production and public punishment, the expanding penal system can now be characterised as a 'prison industrial complex'.

*That the prison industrial complex produces 'social destruction' is an important point since it challenges the ubiquitous rhetoric of prisons as a necessary solution to what's now – after the US defeat of the 'communist threat' – taken to be the major social problem facing the United States, and that is crime.*

Imprisonment has become the response of first resort to far too many of the social problems that burden people ensconced in poverty. These problems are often veiled by being conveniently grouped together under the category 'crime' and by the automatic attribution of criminal behaviour to people of colour, especially Black and Latino/a men and women. Homelessness, unemployment, drug addiction and illiteracy

are only a few of the problems that disappear from public view when the human beings contending with them are relegated to cages. Prisons thus perform a feat of magic. Or rather the people who continually vote in new prison bonds or tacitly assent to a proliferating network of prisons and jails, have been tricked into believing in the magic of imprisonment. But, as you've suggested elsewhere, prisons do not disappear problems, they disappear human beings and the practice of disappearing vast numbers of people from poor, immigrant and racially marginalised communities literally has become big business.

As prisons take up more and more space on the social landscape, other government programmes that have previously sought to respond to social needs are being squeezed out of existence. In fact, the dismantling of the welfare state and the growth of the prison industrial complex have taken place simultaneously and are intimately related to one another. In the process of implementing this prisonisation of the US social landscape, private capital has become enmeshed in the punishment industry in a variety of ways and, precisely because of their profit potential, prisons are becoming increasingly central to the US economy. If the notion of punishment as a source of potentially stupendous profits is disturbing by itself, then the strategic dependence on racist structures and ideologies to render mass punishment palatable and profitable is even more disturbing.

This political economy of prisons relies on racialised assumptions of criminality – such as images of Black welfare mothers reproducing criminal children – and on well-documented racist practices in arrest, conviction and sentencing patterns to deliver up bodies destined for profitable punishment. Coloured bodies are the main raw material in this vast experiment to disappear the major social problems of our time. Once the aura of magic is stripped away from the imprisonment solution, however, what is revealed is racism, class bias and the parasitic seduction of capitalist profit within a system that materially and morally impoverishes its inhabitants, while it devours the social wealth needed to address the very problems that have led to spiralling numbers of prisoners.

*You're suggesting, then, that the prison industrial complex accomplishes two interrelated vanishing acts. It disappears ever larger numbers of poor coloured people, especially women and youth, into the shadow society of the prison where they are expected to live behind, as you put it, 'layer and upon layer of razor wire', in a literal state of social dispossession.<sup>2</sup> It also hides from public view the racialised capitalism that underwrites and drives the development of the prison industrial complex.*

Yes. Let me try to connect these two dimensions. Because of the tendency to view it as an abstract site into which all manner of undesirables are deposited, the prison is a perfect site for the simultaneous

production and concealment of racism. The abstract character of the public perception of prisons militates against an engagement with the real issues afflicting the communities from which prisoners are drawn in such disproportionate numbers. This is the ideological work that the prison performs; it relieves us of the responsibility of seriously engaging with the problems of late capitalism, of transnational capitalism. The naturalisation of Black and brown people as criminals also erects ideological barriers to an understanding of the connections between late-twentieth century structural racism and the globalisation of capital.

*Would you elaborate on that connection?*

The vast expansion of the power of capitalist corporations over the lives of people of colour and poor people in general has been accompanied by a waning anti-capitalist consciousness. As capital moves with ease across national borders, legitimised by recent trade and investment agreements such as NAFTA, GATT and MAI, corporations close shop in the United States and transfer manufacturing operations to nations providing cheap labour pools. In fleeing organised labour in the US to avoid paying higher wages and benefits, they leave entire communities in shambles, consigning huge numbers of people to joblessness, leaving them prey to the drug trade, destroying the economic base of these communities and thus affecting the education system, social welfare – and turning the people who live in those communities into perfect candidates for prison. At the same time, they create an economic demand for prisons, which stimulates the economy, providing jobs in the correctional industry for people who often come from the very populations that are criminalised by this process. It is a horrifying and self-reproducing cycle.

*This is a disturbing twist on the notion of dependency and an example of what Helen Quan, in the context of studying neo-imperialism in Brazil, has called 'savage developmentalism'.*

It is more than a twist. Prisons themselves are becoming a source of cheap labour that attracts corporate capitalism in a way that parallels the attraction unorganised labour in Third World countries exerts. Let me read you a statement by Michael Lamar Powell, a prisoner in Capshaw, Alabama:

I cannot go on strike, nor can I unionize. I am not covered by workers' compensation of the Fair Labour Standards Act. I agree to work late-night and weekend shifts. I do just what I am told, no matter what it is. I am hired and fired at will, and I am not even paid minimum wage; I earn one dollar a month. I cannot even voice grievances or complaints, except at the risk of incurring arbitrary discipline of some covert retaliation.



You need not worry about NAFTA or your jobs going to Mexico and other Third World countries. I will have at least five per cent of our jobs by the end of this decade.

I am called prison labour. I am The New American Worker.<sup>3</sup>

This 'new American worker' will be drawn from the ranks of a racialised population whose historical super-exploitation, from the era of slavery to the present, has been legitimised by racism. At the same time, the expansion of convict labour is accompanied in some states by the old paraphernalia of ankle chains that symbolically links convict labour with slave labour. Several states have reinstated the chain gang. Moreover, as Michael Powell so incisively reveals, there is a new dimension to the racism inherent in this process, which structurally links the super-exploitation of prison labour to the globalisation of capital.

In fact, many corporations that provide us with products we consume on a daily basis have learned that prison labour power can be as profitable as the Third World labour power exploited by US-based global corporations that have relegated formerly unionised labour forces to joblessness and prison. Some of the clients of companies that use prison labour are IBM, Motorola, Compaq, Texas Instruments, Honeywell, Microsoft and Boeing. But it is not only the hi-tech industries that reap the profits of prison labour. Nordstrom department stores sell jeans that are marketed as 'Prison Blues' and t-shirts and jackets made in Oregon prisons. Maryland prisoners inspect glass bottles and jars used by Revlon and Pierre Cardin, and graduation caps and gowns made by South Carolina prisoners are purchased by schools throughout the world. In our own state, the California State University system is required to purchase a variety of furniture and equipment produced by prison labour under the auspices of the Prison Industrial Authority. Work now being performed on prison grounds includes computerised telephone messaging, dental apparatus assembly, computer data entry, plastic parts fabrication, electronic component manufacturing, security glass manufacturing, swine production, oak furniture manufacturing and the production of stainless steel tanks and equipment.

Although prison labour is hugely profitable for the companies that use it, the penal system as a whole does not produce wealth. It devours the social wealth that could be used to subsidise housing for the homeless, to meliorate public education for poor and racially marginalised communities, to open free drug rehabilitation programmes for people who wish to kick their habits, to create a national health care system, to expand programmes to combat HIV and to eradicate domestic abuse, and, in the process, to create well-paying jobs for the unemployed. This amounts to a massive redistribution of social wealth and resources. For example, government contracts to build prisons have

played a major role in bolstering the construction industry and prison design has become a major business ‘opportunity’ for architects. Technology developed for military use is marketed by companies like Westinghouse for use in law enforcement and punishment. Moreover, corporations that appear to be far removed from the business of punishment are intimately involved in the expansion of the prison industrial complex. For example, prison construction bonds are one of the many sources of profitable investment for leading financiers such as Merrill Lynch.

*So, the rise of private prison companies is only the most visible component of the increasing corporatisation of punishment?*

Prison privatisation is the most obvious instance of capital’s current movement toward the prison industry. In March of 1997, the Corrections Corporation of America (CCA), the largest US private prison company, claimed 54,944 beds in sixty-eight facilities under contract or development in the US, Puerto Rico, the United Kingdom and Australia. In response to the global pattern of subjecting more women to public punishment – although ‘private domestic’ violence continues<sup>4</sup> – CCA recently opened a women’s prison outside Melbourne.

Wackenhut Corrections Corporation (WCC), the second largest US company, claimed contracts and awards to manage forty-six facilities in North America, the United Kingdom and Australia. It claims a total of 30,424 beds as well as contracts for prisoner health services, transportation and security. If these companies divulged statistics by race indicating who has slept in those beds, they would probably reveal an inordinate number of Black and Latino people in the US, Black and Asian people in the United Kingdom and Aboriginal peoples in Australia.

Currently, the stocks of both CCA and WCC are doing extremely well. By the end of last year, CCA’s revenues had increased by 58 per cent – from \$293 million in 1996 to \$462 million in 1997. Its net profit grew from \$30.9 million to \$53.9 million. WCC, which is 54 per cent owned by the Wackenhut Corporation (which itself had revenues of over one billion dollars in 1997), increased its revenues from \$138 million in 1996 to \$210 million in 1997, amounting to a net profit increase from \$8.3 million to \$11 million. It hardly needs to be pointed out that such vast profits rely on the employment of non-union labour to operate prisons.

*I’d like to go back to a statement you made earlier that Black people and people of colour in general are the main human raw material with which the expansion of the prison industrial complex is being accomplished. In several articles and in your forthcoming book, you’ve been excavating the racialised and gendered history of punishment and penalty in the US*

*and you've identified at least four systems of incarceration that link 'confinement, punishment, and race': the reservation system, slavery, the mission system, and the internment camps of the second world war.<sup>5</sup> You've focused especially on the history of slavery and on people of African descent.<sup>6</sup> What are some of the main features of this history that you see as particularly important for understanding the prison crisis today?*

Within the US – and increasingly in postcolonial Europe – the disproportionate presence of people of colour among incarcerated populations has acquired a self-evident character.<sup>7</sup> But, this commonplace is a result of a long history of exploitation and state repression. Historically, people of African descent consigned to slavery in the US were certainly not treated as rights-bearing individuals and therefore were not considered worthy of the moral re-education that was the announced philosophical goal of the penitentiary. Indeed, the slave system had its own forms of punishment, which remained primarily corporeal and of the sort that predated the emergence of incarceration as punishment.

Within the institution of slavery, itself a form of incarceration, racialised forms of punishment developed alongside the emergence of the prison system within, and as a negative affirmation of, the 'free world', from which slavery was twice removed. Even if the forms of punishment inherent in and associated with slavery had been entirely revoked with the abolition of slavery, the persistent second-class citizenship status to which former slaves were relegated would have had an implicit impact on punishment practices. However, an explicit linkage between slavery and punishment was written into the US Constitution precisely at the moment of the abolition of slavery. In fact, there was no reference to imprisonment in the Constitution until the passage of the Thirteenth Amendment declared chattel slavery unconstitutional. The Thirteenth Amendment read: 'Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction'. The abolition of slavery thus corresponded to the authorisation of slavery as punishment. In actual practice, both Emancipation and the authorisation of penal servitude combined to create an immense Black presence within southern prisons and to transform the character of punishment into a means of managing former slaves.

In constructing prisoners as human beings who deserved subjection to slavery, the Constitution allowed for a further, more elusive linkage of prison and slavery, namely the criminalisation of former slaves. This criminalisation process became evident in the rapid transformation of prison populations in the southern states, where a majority of Black

Americans resided. Prior to Emancipation, prisoners were primarily white, but as Milifred Fierce pointed out, during the post Civil War period, the percentage of Black convicts in relation to white was often higher than 90 per cent.

The swift racial transformation of imprisoned southern populations was largely due to the passage of Black Codes which criminalised such behaviour as vagrancy, breach of job contracts, absence from work and insulting gestures or acts. Theft and escape, for example, long considered effective forms of resistance to slavery became defined as crimes. What during slavery had been the particular repressive power of the master became the far more devastating universal power of the state as Black people were divested of their status as slaves in order to be accorded a new status as criminals. The criminal justice system, then, played a significant role in constructing the new social status of former slaves as human beings whose citizenship status was acknowledged precisely in order to be denied.

Southern prison populations not only became predominantly Black in the aftermath of slavery, penitentiaries were either replaced by convict leasing or they were restricted to white convicts. This racialisation of punishment practices determined that Black people were to be socially defined in large part by recreated conditions of slavery. In fact, as historian David Oshinsky has documented, convict leasing in institutions like Mississippi's Parchman Farm created conditions 'worse than slavery'.<sup>8</sup>

During the last three decades of the nineteenth century, southern criminal justice systems were profoundly transformed by their role as a totalitarian means of controlling Black labour in the post Emancipation era. Because so many of the particular crimes with which Black people were charged served more as pretexts than as causal factors for arrest, these punishment strategies were explicitly directed at Black communities and eventually informed the history of imprisonment outside the South as well.

#### *And today?*

Today, the emergent prison industrial complex recalls the early efforts to create a profitable punishment based on the new supply of 'free' Black male labourers in the aftermath of the Civil War. As Steven Donziger has argued: 'the criminal justice system need[s] sufficient quantities of raw materials to guarantee long-term growth... In the criminal justice field, *the raw material is prisoners*... For the supply of prisoners to grow, criminal justice policies must ensure a sufficient number of incarcerated Americans regardless of whether crime is rising or the incarceration is necessary.'<sup>9</sup> Just as newly freed Black men, along with a significant number of Black women, constituted a virtually endless supply of raw material for the embryonic southern punishment industry (as well as

providing much-needed labour for the economies of the southern states as they attempted to recover from the devastating impact of the Civil War) so, in the contemporary era, do unemployed Black men, along with increasing numbers of women, constitute an unending supply of raw material for the present day prison industrial complex.

By 1997, African Americans were the majority of state and federal prisoners. As the rate of increase in the incarceration of Black prisoners continues to rise, the racial composition of the incarcerated population is approaching the proportion of Black prisoners to white during the era of the southern convict lease and county chain gang systems. Whether this human raw material is used for purposes of labour or as the forced consumers of commodities provided by a rising number of corporations directly implicated in the prison industrial complex, it is clear that Black bodies are considered dispensable within the 'free world' and that they are a major source of profit in the prison world. This relationship recapitulates in complicated new ways the era of convict leasing.

The privatisation characteristic of convict leasing also has its contemporary parallels, as companies like CCA and Wackenhut literally run prisons for profit. Private prisons have multiplied at four times the rate of expansion of public prisons. It is now estimated that there will be three times as many private facilities by the turn of the century and that their revenues will be more than one billion dollars. In arrangements reminiscent of the convict lease system, federal, state and county governments pay private companies a fee for each inmate, which means that private companies have a stake in retaining prisoners as long as possible, and in keeping their facilities filled.

*African American men, in particular, are also vastly over-represented in state and federal super-maximum security prisons, of which there are an increasing number. You see these supermax prisons as exemplary of the increased repression characteristic of US society in general and also as part of the longer history you've been describing.*

The danger of supermax prisons resides not only in the systematically brutal treatment of the prisoners confined there, but also in the way they establish standards for the treatment of all prisoners. They solidify the move away from rehabilitative strategies and they do so largely on the backs of Black men. Moreover, as prisons become more repressive and as this repression becomes more remote from, and by default accepted within, the 'free world', they promote retrograde tendencies in educational institutions that serve the populations most likely to move from schools into prisons. These educational institutions begin to resemble prisons more than schools and are fast becoming prep schools for prison, moulding Black children into raw material for punishment and coerced labour.

The extent to which Black men today function as the main human

raw material for the prison industrial complex only highlights the many ways in which the prison system in the US in general resembles and recapitulates some of the most abhorrent characteristics of the slavery and convict lease systems of the late nineteenth century. In fact, the rampant exploitation of prison labour in an increasingly privatised context *is* a modern-day form of convict leasing. And while Black men are not the only population vulnerable to this exploitation, the overwhelming numbers of Black men imprisoned in the US make them by far the most threatened members of our society when it comes to the new form of enslavement being implemented through the prison system.

That we can so easily draw these connections between latter twentieth-century imprisonment practices in the US and various systems and practices that were in place a century ago is, in large part, a result of the racism that consistently has been interwoven into the history of the prison system in this country. The ultimate manifestation of this phenomenon can be found in the supermax prison, whose main function is to subdue and control ‘problematic’ imprisoned populations – again, comprised largely of Black men – who, having been locked away in the most remote and invisible of spaces, are basically no longer thought of as human. The absolute authority that is exercised over these disappeared populations by supermax administrators and staff – and the lack of accountability on the part of private corporations that are in the prison business and or benefit from prison labour – is reminiscent of the impunity with which slave owners, overseers and, later, patrons of the convict lease system, routinely disregarded the humanity connected with the Black bodies they systematically abused.

In this sense, the supermax draws upon, even as it also serves to feed, the perpetuation of racism at every level of our society. This is true, in fact, of the entire prison system. The continued practice of throwing away entire populations depends upon those populations being constructed and perceived – fixed, really – within the popular imagination as public enemies. It is precisely this relationship between racism and imprisonment that necessitates coalitional work between anti-racist activists and prison activists. On the eve of the twenty-first century, these two movements are inseparable.

*Let’s move, then, by way of concluding, to discuss resistance to the prison industrial complex and the call for a new abolitionism. Would you begin by addressing the particular challenge that the geographical isolation of prisons and the social invisibility of prisoners issues?*

How many of us have stood outside a prison, let alone been inside one? This is a question that quickly separates people of colour, and particularly Black people, from whites, and the poor from the affluent. Most people in the US do not have direct knowledge of the penal system, although the prison has inhabited the personal and political

histories of Black and poor people continually. Most people have not pondered the razor wire nor imagined concretely what, or who, exists behind it. Instead, public perceptions about prisons and prisoners are shaped largely by media (mis)representations, including the grossly sensationalised genre of Hollywood prison films. On a recent visit to Cuba, during which I interviewed three dozen women in prison there, I was only half-surprised to learn that many of the women's preconceived notions about what prison would be like were based on portrayals they had seen in Hollywood films.

In the US, the growth of the punishment industry occurs against the backdrop of a ubiquitous reluctance on the part of most people on the outside to engage in critical discussions about jails and prison beyond the oversimplified and fatally inaccurate equation of prison expansion with the elimination of crime. Media and law enforcement agencies collude to create an increasingly crime-saturated atmosphere in which those who are least likely to be victims of crime are the very individuals most vocally supportive of harsher sentencing practices and prison expansion as means of curtailing crime. In the public imagination, as fantastical notions of 'the criminal' translate into fears of a Black male stranger who lurks in dark corners waiting to beat, rob, rape, or murder an unsuspecting victim, the resulting 'lock-'em-up-and-throw-away-the-key' attitude (exemplified at the legislative level by three- and, in some states, two-strike laws) renders more and more invisible those who are imprisoned. The continued demonisation of welfare mothers, particularly Black single mothers, and the dismantling of programmes that assist poor women and their children, is carving out new gendered paths toward imprisonment.

Challenging the invisibility of incarcerated populations, and especially the hypervisibility of women prisoners who are twice-marginalised – invisible in the 'free world' by virtue of their incarceration and largely overlooked even by prison activists by virtue of their gender – is central to resisting the social dispossession wrought by the prison industrial complex. It is also necessary to expose that magic trick I mentioned earlier.

The great majority of people have been tricked into believing in the efficacy of imprisonment, even though the historical record clearly demonstrates that prisons do not work. They have never really worked and they never will. The economic and social factors that lead certain individuals to commit offences that are likely to land them in prison (as well as the criminalisation process itself, which dictates what segments of the population become the objects of the widespread fear of crime) go unaffected by the number of prisons that are built in the US each year. Systemic social problems such as poverty, homelessness, illiteracy and child abuse – each of which renders its victims more likely to become entangled in the penal system – require aggressive and inno-

vative solutions that bear no relationship whatsoever to incarceration. Yet these simple and rather obvious realities are obscure to most people for whom penal institutions are remote. For this reason, it is vital that those of us who are active around prison issues promote as much firsthand exchange as possible between the members of the 'free world' and members of the imprisoned world. It is difficult to step inside a jail or prison, to talk with the people whose lives are confined to these facilities, without being deeply moved. In fact, I'm always struck by the profound contrast between the self-possession of so many prisoners and the social dispossession to which they are subjected, individually and collectively, as wards of the penal system. In the news and especially during elections, we constantly hear descriptions of prisoners as 'animals' and prisons as 'zoos', but to really hear the stories of incarcerated women and men is to recognise that little more than the luck of the draw – or, rather, of one's socioeconomic birthright – separates 'us' from 'them'.

Today, the deepening influence of racism is largely responsible for the failure of a popular critical discourse to contest the ideological trickery that posits imprisonment as a stop-gap measure at a time when the focus of state policy is rapidly shifting from social welfare to social control. The emergence of a US prison industrial complex within a generalised context of cascading conservatism marks a new historical moment, whose dangers are unprecedented. At the same time, we need not succumb to the sense of powerlessness that ideological evocations of crime waves and the creation of new prisons tend to encourage. Considering the impressive number of grassroots projects that continue to resist the expansion of the punishment industry, it ought to be possible to bring these efforts together to create radical and internationally visible movements that can legitimise anti-capitalist critiques of the prison industrial complex.

*Is the aim of this critique ultimately the abolition of the prison system as we know it?*

Yes. Raising the possibility of abolishing jails and prisons as the institutionalised and normalised means of addressing social problems in an era of migrating corporations, unemployment and homelessness and collapsing public services, from health care to education, can help to interrupt the current law-and-order discourse that has such a grip on the collective imagination, facilitated as it is by deep and hidden influences of racism. This late twentieth-century abolitionism, with its nineteenth-century resonances, may also lead to a historical recontextualisation of the practice of imprisonment. With the passage of the Thirteenth Amendment, slavery was abolished for all except convicts – and, in a sense, the exclusion from citizenship accomplished by the slave system has persisted within the US prison system. Only three states



allow prisoners to vote, and approximately 4 million people are denied the right to vote because of their present or past incarceration. A radical strategy to abolish jails and prisons as the normal way of dealing with the social problems of late capitalism is not a strategy for abstract abolition. It is designed to force a rethinking of the increasingly repressive role of the state during this era of late capitalism and to carve out a space for resistance.

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## The MAI: multilateralism from above

'We are writing the constitution of a single global economy...The question is where – not whether – work on trade and investment should take place'. So spoke Renato Ruggiero, director-general of the World Trade Organisation (WTO) in an October 1996 speech presented to the United Nations Committee on Trade and Development (UNCTAD).<sup>1</sup>

Negotiations for a Multilateral Agreement on Investment (MAI) were launched in the Organisation for Economic Cooperation and Development (OECD) in 1995 at the request of the United States trade representative (USTR). At the same time, a similar effort was being attempted through pressure from the EU within the WTO. This was taking place at a time when, as *Business Week* correspondents William Wolman and Anne Calamosca expressed it, we 'have witnessed a concentration of wealth that is without historical precedent in the United States'. In the ten years after 1983 the top 1 per cent of the US population increased their net wealth by a fabulous 28.1 per cent; the same period saw median wealth fall by 8 per cent as the bottom 40 per cent of the population saw 49.7 per cent of their wealth find a new home.

This domestic scene is mirrored globally in even more grotesque distributive inequalities. Since 1960, World Bank Projects and International Monetary Fund (IMF) Structural Adjustment Programmes (SAPs) have helped double the gap between rich and poor countries. The protectionism of the North, masked as it is by the rhetoric of 'free trade,' reduces national incomes in the South by about twice the amount of official aid to the region. Wealth transfers from the poor to the rich

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countries amounting to more than \$400bn during the 1980s were 'the equivalent in today's dollars of some six Marshall Plans provided by the South to the North', observed Susan George of the Transnational Institute in Amsterdam. And, by 1992, James Morgan had begun to describe the emergence of a '*de facto* world government' in the *Financial Times*. Institutions such as the World Bank (WB), the IMF, the OECD, G8 and the WTO and legislation like General Agreement on Tariffs and Trade (GATT), North American Free Trade Agreement (NAFTA) and the MAI itself provide an institutional framework in this 'new imperial age', serving the interests of transnational corporations and large investors.

### **What is the MAI?**

The MAI is the most far reaching investment liberalisation agreement ever written. It is more sweeping than NAFTA or GATT in its assertion of basic rights for investors and corporations. The overall scope of the agreement is exhaustive, covering all economic sectors. While the WTO agreements are 'bottom up' in that only those sectors mentioned are covered, the MAI is a 'top down' agreement in that all sectors are covered, unless specifically exempted from the agreement. 'It would be difficult to make the definition any broader' was how Xavier Musca, from the Ministry for the Economy and Finance in France, put it at a September 1997 briefing for non-OECD countries. All forms of investment are involved, including portfolio investment and intangible property in all its stages, including pre- and post-establishment phases. And, of course, all types of measures that could restrict investment, including all laws, regulations, judicial decisions on a governmental and sub-governmental level and international treaties, are also encompassed.

The lynch pin of the MAI is its innocuous sounding provision on 'national treatment'. This lays down that:

Each contracting party shall accord to investors of another contracting party and to their investments treatment no less favorable than the treatment it accords (in like circumstances) to its own investors and their investments with respect to the establishment, acquisition, expansion, operation, management, maintenance, use, enjoyment and sale or other disposition.<sup>2</sup>

This provision makes it mandatory for member states to allow the entry and establishment of any foreign company or institution in all sectors, and for foreign investors to be treated at least as well as any local investor. Under it, even laws that may have an *unintended* discriminatory effect may be nullified. When set alongside structural adjustment policies that require governments to privatise their government industries, in effect, there is no area not left wide open to foreign investors under the provisions of the MAI.

Most Favoured Nation (MFN), another 'non-discrimination' provision, requires nations that are party to the agreement to give each other the most favourable treatment that they give to any trading partner (regardless of labour, human rights or environmental practices). In other international trade agreements, MFN status is given to the country itself but the MAI accords this privilege to the corporations of the country as well. All countries and their corporations must be treated equally with respect to regulatory law. This provision could seriously jeopardise the use of economic sanctions as a tool in fighting human rights abuses. It could also have serious consequences for the promotion of South-South investment where developing countries are creating special trading links with other countries at a similar stage of development. As Lori Wallach of the Washington-based NGO, Public Citizen, has pointed out, had such legislation been in effect during the 1980s, Nelson Mandela might still be in jail.

The MAI also includes a broad ban on performance requirements for foreign-based corporations to meet certain standards in their operation and practice. Even those requirements that have no discriminatory effect are banned. Effectively, this provision relieves investors of any obligation towards the host country; for example, it would outlaw the 'host' country from stipulating employment levels and setting levels of local raw material use.

Perhaps one of the more disturbing effects of the MAI is its protection of foreign investors from 'expropriation' or any other measure having 'equivalent effect'. According to the text, a 'lost opportunity to profit from a planned investment would be a type of loss sufficient to give an investor standing'. This arcane language gives foreign corporations the power to challenge nearly any governmental action or policy which undermines their profit or potential profit, and demand cash compensation for such losses. On top of that, corporations can also sue in the case of 'strife', 'civil war', 'insurrection', or 'public disorder', if any of these affect their profits. Essentially, the role of the nation state is confined to that of protector of foreign investment.

Thus, the role of nation states and their relation to capital is to be drawn in ever finer relief. Deprived of strategic control of key areas of the economy, individual governments face serious erosion of their power. Only the key neo-liberal function of Reaganite military Keynesianism, redistributing wealth upwards through arms procurement and debt servicing, remains to them, along with the political maintenance of a façade of democracy. One has only to see Clinton surrounded by a cabal of Chilean generals and earnestly determining that 'everyone in this room loves freedom' to understand that all that is needed is a façade; the exchange every so often of one interchangeable leader for another, one governing party for the next. The political stability so necessary to capital emanates from this circulation within

parameters established by binding multilateral agreements and enforced by their legislative institutions or, when necessary, by force.

To enforce its provisions, the MAI will set up an investor-to-state dispute mechanism which gives corporations the right to sue nations directly. The investor gets to choose from six different venues for hearing the case, the International Chamber of Commerce being one of them. Not only is there no appeal process but citizens, communities or governments have no corresponding right to challenge corporations or investors. The US-based Ethyl corporation recently sued the government of Canada for \$251 million under NAFTA's similar but more limited dispute mechanism. Canada had banned the sale of Ethyl's gasoline additive, MMT, a known carcinogen. The suit claimed that the very act of debating MMT's possible ills in the Canadian parliament constituted expropriation because the company's name had been sullied. Eventually (July 1998), the Canadian government was forced to settle, paying compensation to Ethyl and agreeing that MMT could again go on sale in Canada.<sup>3</sup> Under such a provision, just the threat of a suit could be enough to create a 'chilling effect' on the willingness and ability of lawmakers to pass laws in the public interest. And, if a government like that of Canada's is forced to settle on such terms, what of countries that have few resources? As is currently happening in the US, it is not inconceivable that transnational corporations will use SLAPP suits to keep a country's lawmakers in line.<sup>4</sup>

Unlike the case with any other treaty, once a country signs the MAI, it is locked in for twenty years. It can opt out in five years, but all provisions remain in effect for the next fifteen years.

### **Foreign direct investment**

At the centre of the MAI is the mobility of capital in the form of foreign direct investment (FDI). Neo-liberalism's central operating tenets are unrestricted mobility of capital and of goods. The attractiveness of FDI to poor and developing countries is self evident. Access to technology and capital are essential to such countries if they wish to promote economic growth and improve living standards. For a variety of reasons, sources of domestic capital for investment are often lacking or entirely absent.

Probably the most spectacular successes of FDI are to be found in Asia, recent problems of capitalist instability notwithstanding. In Asia, FDI was used selectively and, more often than not, fitted into fairly coherent government national and technological development policies. Part of that strategy included the introduction of technology and investment from abroad, but emphasised and promoted the local ownership of enterprises. This element of protectionism is what allowed Japanese, Malaysian and Korean corporations to develop to the point

where they could hold their own in the global arena, particularly in the electronics and auto industries.

Similarly, the advanced industrial countries of the North established their present economic strength under cover of strict control of capital flows. Most of these have been relaxed only recently, if at all. Under MAI rules, restrictions or imposed conditions on FDI would be outlawed. Effectively, national governments could no longer have meaningful development policies. But while FDI may be necessary for poorer countries to develop along capitalist lines, FDI itself is no guarantee of success and may prove a hindrance by creating economic instability and balance of payments difficulties.

Without any controls over profit repatriation, foreign investors may take out of an economy any profits generated and so may prove to be a drain rather than a reservoir of foreign exchange on which countries rely to purchase imports. This can undermine the strength of a domestic currency and wreak havoc with the value of incomes, the price of imports and ultimately damage a country's balance of payments. The market will not necessarily check this tendency because of the very mobility of capital it promotes. If conditions become unfavourable for profit extraction because of such behaviour, capital will just move along.

Another possible drawback of FDI is in the area of competition. Without regulation, there is nothing to prevent a foreign corporation investing in a particular area solely for the purpose of gaining a monopolistic position in a particular market. Much of the anti-trust legislation whose use was attempted against Microsoft in the US would be regarded under the MAI as a 'barrier to trade' were Microsoft a foreign company. Large corporations can, and do, engage in below-cost selling to drive competitors out of the market. There is no reason to believe that they would desist if regulations countering such practices were removed. Already, the cartelisation of the banking industry is a matter of anxiety on this front, as is the direction food production is taking.

An even more alarming element of MAI is that it includes financial services in its remit. This means that banks and financial institutions have unparalleled access to domestic markets. They can create credit and so affect the money supply in a country, a potentially devastating development, if one considers that more than 90 per cent of all capital flows are speculative rather than productive. The potential to generate financial crises for gain here is unimaginable. George Soros may be a neo-liberal Robin Hood, but it should be remembered that he unloaded the public purse of billions of pounds in just such a scheme without the kind of protection he would have from the MAI.

It is arguable that, if the world needs a multilateral agreement covering FDI, then such an agreement should address the responsibilities of investors and their obligations to some sort of sustainable investment level. Instead, the North refuses to countenance such

notions, the US describing a similar suggestion as amounting to 'discrimination against foreign investors'. Rather, countries must compete with one another to attract FDI. In its policy brief on FDI, the South Centre chairman, Mwalimu Julius Nyerere writes:

Developing countries as a whole lose from competition among themselves in offering ever greater incentive packages to attract FDI. Collectively and individually, developing countries would gain from cooperation rather than competition in this sphere.<sup>5</sup>

### **History of the MAI**

The path to the MAI has been tortuous and roundabout. It has emerged from a series of international negotiations and forums in semi-secret with, until recently, virtually no public debate. Its contestation, though, by representatives of Third World governments and a wide range of NGOs and concerned individuals across the world has served at least to delay its passage – along with major differences between the main negotiators. Originally, negotiations were slated for completion by May of 1997, then the deadline was bumped to May of 1998. At the time of writing, negotiators are saying that the deadline has been indefinitely extended. For the first two years, MAI negotiations were carried on in a cloud of secrecy. In January of 1997, a confidential draft copy of the text was pirated from the OECD and distributed to public interest groups. Intense public outcry has since ensued. This, coupled with negotiators' attempts essentially to protect *themselves* from the agreement through numerous exceptions, while attempting to impose it on others, has led to the delay. The US has included over 600 pages of exceptions for itself, including the demand for a general exception for all its federal, state and local laws. The EU entered talks with the specific aim of dismantling barriers of federalism which it called a threat to free trade. On the other hand, the EU wants a broad carve-out for the Regional Economic Integration Organisation. Canada and France refuse to sign without being granted a general exception for cultural products, but this is strongly opposed by US business groups which are salivating over those particular markets. Tension between the US and the EU over each's own protectionism is one of the factors which will determine exactly how the South will be exploited. Another issue holding up the process is the US demand to exempt the Helms-Burton Act (rendering trade illegal between US companies and non-US companies that also trade with Cuba) and the Iran\Libya sanctions, which punish companies that invest in those countries.

It was during the GATT Uruguay Round (1994), which culminated in the Martakesh Agreement creating the WTO, that the proposal for such an enforceable, free-standing investment agreement first emerged. Before



the Uruguay Round, GATT was mostly concerned with the trade of goods. Although the most developed countries ultimately wanted to create stringent restrictions on governments' ability to control financial services and foreign investment by giving right of entry, establishment and national treatment to foreign investors in all sectors through the WTO, adamant opposition by developing countries forced them to settle for an agreement on Trade-Related Investment Measures (TRIMs). These are existing rules which countries maintain to regulate investment, hence mobile capital dislikes them. The agreement on TRIMs linked the investment policies of all WTO member-countries to two key principles of the 1994 GATT, national treatment for member-countries' imports and the restrictions on performance requirements. The inclusion of the agreement on TRIMs set the precedent for the WTO to create rules for foreign direct investment. Although the agreement on TRIMs represented the most significant move towards globally reducing restrictions on foreign investment, representatives from industrialised countries and multinational corporations claimed that it did not go far enough. That which was suspended in the Uruguay Round TRIMs negotiations was pushed forward with tremendous energy and resources during the WTO's first Ministerial Conference in Singapore, December 1996. This reaffirmed the developed countries' control within the WTO and the primacy of their ceaseless neo-liberal agenda.

Originally, the Ministerial Conference was meant to be a 'review conference' addressing the problems that developing countries were having because of implementing the Uruguay Round provisions. But, during the preparatory process prior to the Conference, it became clear that developed countries wanted to use the Conference to further global liberalisation by expanding the WTO's jurisdiction to cover new issues such as investment. The WTO was considered the ideal arena for such negotiations since the targets of such an agreement – developing countries – would, by WTO rules, automatically have to comply once negotiations were finalised.

At many different meetings and forums held before the Conference, including the annual United Nations Conference on Trade and Development, UNCTAD IX in May 1996, and the UNCTAD-sponsored Global Investment Forum of November 1996, developed countries, especially the EU and Canada, argued for a Multilateral Investment Agreement (MIA), essentially identical to the MAI, to be put forth in the WTO. Many developing countries came together to oppose both that proposal and further liberalisation measures within the WTO in general.

A declaration prepared by NGOs attending UNCTAD IX stated that globalisation and liberalisation have succeeded in increasing the power and rights of multinational corporations, while decreasing the role of states. The statement further argued that the structural

adjustment programmes designed by the IMF and the WB, which have 'shifted the burden of economic adjustment to the poor and increased social inequalities and political instability', had been intensified in their effects by the Uruguay Round's liberalisation:

On the basis of our own experiences in many parts of the world, we do not share the 'optimism' that freer trade and investment will solve development problems... It is simply a myth that the UR and trade and investment liberalisation benefits everyone. Instead, the rich and powerful are making use of liberalisation to further squeeze out the poor and powerless.<sup>6</sup>

But WTO director-general Renato Ruggiero stated frankly that the WTO's responsibility was to reward the most efficient producers globally and enable efficient resource mobilisation. It was not the WTO's responsibility, he said, to bring equity and equitable distribution of benefits. This should be the obligation of governments and other international organisations.

It started to become apparent early on in the preparatory process to the Conference that the strategy to introduce a multilateral investment agreement at it was going to be blocked by developing countries. Hence, the countries of the North set their sights on initiating a 'study process' on the relationship between trade and investment within the WTO. This proposal also faced serious opposition.

The developed countries' solution to these objections was simply to bypass them and any question of accountability, by setting up 'informal groups' for discussion (by invitation only). It was in these 'informal groups' that the proposal to set up a working group to 'examine the relationship between trade and investment' in order to 'identify any areas that may merit further consideration in the WTO' occurred. Meanwhile, ministers from developing countries were speaking out in increasingly empty open plenaries on the problems their countries were experiencing in implementing the Uruguay Round provisions, and going on to oppose the introduction of new issues such as investment. But there were no discussions on the matters they raised and no opportunity to discuss solutions to the problems identified was provided.

A statement from Third World Network issued on the final day of the Conference said:

The outcome of the Ministerial Conference has unfortunately confirmed the image of the WTO as a 'rich men's club.' If the GATT had been heavily weighted in promoting the interests of the developed countries, the two-year-old WTO is even more in danger of being an instrument of domination by the strong over the weaker and smaller countries.<sup>7</sup>

In the end, the developing countries unhappily agreed to the study

process because it had become apparent that it was part of the 'built-in agenda' of the WTO and they did not want to be accused of blocking consensus. Although the goal of starting binding treaty negotiations had been temporarily thwarted, WTO director-general Renato Ruggiero indicated at the concluding press conference that negotiations on investment policies could begin in 1999.

But another international forum did not have to pay even this limited lip-service to the concerns of the developing countries. The OECD, which consists of twenty-nine of the world's wealthiest countries (housing 477 of the *Fortune* 500 corporations with annual revenues of \$110 trillion) is, according to the US, a much more appropriate body for negotiating a global investment treaty. These 'like-minded' countries know what's best. Better to not let negotiations get messy with all that noise of dissent. At a meeting of EU, Japanese and Canadian ministers, hosted by the US trade representative in September 1994 in Los Angeles, the US called for negotiations to begin in the OECD in May 1995. The effort would build upon a series of studies the OECD had been conducting since 1991. Traditionally, the OECD has conducted and published research and drawn up rules on international economic policy, many of which have been enacted globally through the GATT and then the WTO. Work in the OECD had been instrumental in framing a number of key negotiating issues in the GATT Uruguay Round negotiations, including the agreement on TRIMs. It had not, in the past, been a venue for binding treaty negotiations.

When challenged with the blatant omission of input from developing countries, the OECD negotiators claim that the MAI is a 'high standards' agreement aimed only at OECD member countries. Yet it has become apparent over and over again that the economies of developing countries are the actual target. US assistant secretary of state Alan Larson stated in an April 1997 interview:

We think the OECD exercise can provide a model for investment rules throughout the world both because it will be open to accession by non-OECD countries and because it will be a model for future negotiations, be they in the WTO, the Asia Pacific Economic Cooperation forum, or elsewhere.<sup>8</sup>

Or, as the International Chamber of Commerce more openly expressed it in a 1996 paper, 'the preponderance of restrictions on foreign investment lie outside the OECD area... Business needs the benefits of an international investment regime to include the fast-growing countries of Asia, central and eastern Europe, and Latin America'.<sup>9</sup>

From the very beginning, major business groups have been heavily involved with the negotiations. The US Council for International Business, which includes over 150 senior-level executives from multinational corporations, law firms and business associations, has the

privilege of giving its input before and after each MAI negotiating session. Senior executives of US transnationals like AT&T and IBM are known to be playing key roles. According to WWF-UK, business interests have openly stated that their support for the MAI is conditional on wide accession by developing countries and that negotiation inside the OECD is meant to ensure high standards for corporations investing in non-OECD countries. Secretary-general of the OECD Jean Claude-Paye claimed that the MAI would be a 'good conduct certificate' for non-OECD countries, giving foreign investors confidence in investing in those countries. And such good conduct certificates may well be deemed necessary for developing countries if they are to be considered for loans from the WB and IMF. Some developing countries, have expressed the fear that signing the MAI will become a stipulation for any such loans. OECD teams have already visited Africa, Latin America and Asia to preach the virtue of the MAI and many developing countries claim they are experiencing intense pressure to sign on when negotiations are completed.

The MAI and the multilateral investment agreement in the WTO are just a couple of strategies the OECD countries are using to reach their goal of investment deregulation in the South. A similar initiative is currently being attempted in the IMF to further these same objectives. At the time of writing, a proposal is being pushed by the OECD countries to amend the IMF Articles of Agreement, the first amendment since its establishment at Bretton Woods fifty years ago. All member countries would be forced to accept the removal of barriers to international capital flows, a provision identical to key elements in the MAI. The IMF would be able to dictate the extent of the controls a country may maintain, the rate of the capital account liberalisation and changes in macroeconomic policy. The IMF justifies this proposal by parroting the same old rhetoric that the benefits of liberalising capital outweigh the potential costs. The amendment would greatly enhance the IMF mandate and, not surprisingly, its budget would have to be greatly expanded. Amending of the Articles requires an 85 per cent voting majority by the IMF board of governors (mostly heads of finance ministries or central banks) with the US holding the largest number of votes (17 per cent).

Still another attack has been made through the dry-as-dust sounding 'Financial Services Ruling', finalised in the WTO in December 1997. Yet once again, this hamstringing poor and developing countries, leaving them at the mercy of the most powerful and rapacious TNCs. The Ruling liberalises financial services, giving TNCs the right to own more insurance, banks, securities and other companies, with binding enforcement of their access through the WTO dispute mechanism. The Financial Services Ruling brings financial services under global trading rules for the first time. 'This agreement is like taking back the

neighborhood', expounded the head of the US-based International Insurance Council. 'We need a policeman on the block. We can't have governments behaving in thuggish ways.' While the individual remits of the various institutions are mind-numbing to contemplate, their essential compatibility is recognised by those who guide them. It is their ultimate goal to establish a pattern of law, an insidious template from which each new round of rules governing the distribution of ownership can be fashioned.

As Ghana's former minister of trade, Ibrahim Adam, put it at an UNCTAD-sponsored Global Investment Forum:

In the eighteenth and nineteenth centuries, the present OECD countries traded with us and took away our resources and freedom. Then structural adjustment came to us via the World Bank. The Bank and the world are still looking for a true success case for structural adjustment. Just as developing countries are coming to terms with structural adjustment, we are confronted with the WTO and its multilateralism.<sup>10</sup>

His words have been echoed by Martin Khor:

It was the need to recapture control over resources, and to have national policies in favour of domestic rather than foreign interests, that spurred the anticolonial struggles that finally led most colonies to win independence. It would thus be a great irony if the ex-colonial master countries were to succeed yet again to gain rights for their companies to establish themselves and dominate the economies of the former colonies, this time not through military conquest but through the device of a treaty to be agreed to by all parties.<sup>11</sup>

An irony indeed, of the most tragic kind.

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# Globalisation and US prison growth: from military Keynesianism to post-Keynesian militarism

Ever since Richard M. Nixon's 1968 campaign for president on a 'law and order' platform, the US has been home to a pulsing moral panic over crime and criminality. The 'law and order' putsch has produced an increase of 1.4 million people in the prison and jail population since 1982: by the time this essay goes to press, there will be nearly 2,000,000 women and men living in cages. But are the key issues underlying carceral expansion 'moral' ones – or are they racial, economic, political? And if some combination of the latter, why did 'the law' enmesh so many people so quickly, but delay casting its dragnet until almost fifteen years after Nixon's successful bid for the presidency?

California is a case in point. In mid-1996 the State's attorney general, who is responsible for prosecuting all serious and violent crimes, circulated a report showing that the crime rate peaked in 1980 and declined, unevenly but decisively, thereafter. However, since 1982, when the State<sup>1</sup> embarked on the biggest prison construction programme in the history of the world, the number in the California Department of Corrections (CDC) prisons rose 400 per cent – to 156,000. African Americans and Latinos (primarily Mexican Americans) comprise two-thirds of the prison population; seven per cent are women of all races. Almost half the prisoners had steady employment, that is, they were working for the same employer for at least one year before arrest, while

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upwards of 80 per cent were, at some time in their case, represented by state-appointed lawyers for the indigent: in short, as a class, convicts are the working or workless poor. At a cost of 280-350 million dollars *each*, California has completed twenty-two new prisons since 1984. The new prisons, plus the state's twelve previously existing facilities, plus four new prisons being planned, plus internal expansions, plus space contracted with public or private providers, will give the system a lockdown capacity of more than 200,000 by 2001, according to data from the California Legislative Analyst's Office and the CDC.

But California's prison expansion has to be situated in the political-economic geography of globalisation if its full significance is to be understood. A new kind of state is being built on prison foundations in the world's seventh or eighth largest economy. The importance of California is not that it represents the average case of current conditions throughout the US but, rather, that the State stands in as a plausible future for polities within and outside national borders: California has long served as an activist exemplar that others keenly emulate.

### **Why prisons: dominant and counter explanations**

The media, government officials and policy advisers endlessly refer to the moral panic over crime and connect prison growth to public desire for social order. In this explanation, what is pivotal is not the state's definition of crime, *per se*, but rather society's condemnation of rampant deviant behaviour – thus a moral not (necessarily) legal panic. The catapulting of crime to US public anxiety number one, even when unemployment and inflation might have garnered greater worry in the recessions of the early 1980s and the early 1990s, suggests that concerns about social deviance overshadowed other, possibly more immediate issues.

However, by the time the great prison round-ups began, crime had started to go down. Mainstream media reported the results of statistics annually gathered and published by the Federal Bureau of Investigation (FBI) and the Bureau of Justice Statistics (BJS). In other words, if the public had indeed demanded crime reduction, the public was already getting what it wanted. State officials could have taken credit for decreasing crime rates without producing more than a million new prison beds. But the beds are there.

Another explanation for the burgeoning prison population is the drug epidemic and the threat to public safety posed by the unrestrained use and trade of illegal substances. Information about the controlling (or most serious) offence<sup>2</sup> of prisoners supports the drug explanation: drug commitments to federal and state prison systems surged 975 per cent between 1982 and 1996. Therefore, it is reasonable to conclude that widening use of drugs in the US in the late 1970s and early 1980s



provoked prison expansion. According to this scenario – as news stories, sensational television programmes, popular music and movies and politicians’ anecdotes made abundantly clear – communities, especially poor communities of colour, would be more deeply decimated by addiction, drug dealing and gang violence were it not for the restraining force of prisons. The explanation rests on two assumptions: first, that drug use exploded in the 1980s and, second, that the sometimes violent organisation of city neighbourhoods into gang enclaves was accomplished in order to secure drug markets.

In fact, according to the BJS, illegal drug use among all kinds of people throughout the United States declined precipitously, starting in the mid-1970s. Second, although large-scale traffic in legal or illegal goods requires highly organised distribution systems – be they corporations or gangs – not all gangs are in drug trafficking; for example, according to Mike Davis, in Los Angeles, an area of heavy gang and drug concentration, prosecutors in the late 1980s charged only one in four dealers with gang membership.<sup>3</sup>

A third explanation blames structural changes in employment opportunities; these changes have left large numbers of people challenged to find new income sources, and many have turned to what one pundit called ‘illegal entitlements’. In this view, those who commit property crimes – along with those who trade in illegal substances – reasonably account for a substantial portion of the vast increase in prison populations. Controlling offence data for new prisoners support the income-supplementing explanation: the percentage of people in prison for property offences more than doubled since 1982. But, at the same time, incidents of property crime peaked in 1980; indeed, the decline in property crime pushed down the overall crime rate.

More recently, as both print and electronic media have started again to headline annual federal reports about long-term drops in crime (still falling since 1980) and as elected and appointed officials have started to take credit for the trends, the explanation for bulging prisons centres on the remarkable array of longer and stiffer sentences now doled out for a wide range of behaviour that used to be punished differently, if at all. This explanation, tied to but different from the ‘moral panic’ explanation, proposes that while social deviance might not have exploded after all, active intolerance pays handsome political dividends. The explanation that new kinds of sentences (which is to say the concerted action of lawmakers) rather than crises in the streets, produced the growth in prison, is a *post facto* explanation that begs the question. Where did the punitive passion come from in the first place? While all the dominant accounts carry some explanatory power, there is a huge hole at their centre. Who is being punished, for what, and to what end? If crime rates peaked before the proliferation of new laws and new cages, what work *does* prison do?

There are two major counter explanations for prison expansion. The first charges racism, especially anti-Black racism. The second focuses on the economic development and profit-generating potential that prisons promise, suggesting that *military* Keynesianism is giving way to, or complemented by, *carceral* Keynesianism. As with the dominant explanations, there is a great deal of truth in these claims. The statistical inversion, by race, of those arrested (70 per cent white) to those put in cages (70 per cent persons of colour) quantitatively indicates that the system punishes different kinds of people differently; qualitatively, the stories of individuals and families caught up in the system graphically illustrate this uneven development. It is also true that communities and industrial sectors are increasingly dependent on prisons for governmental, household and corporate income. But these explanations do not show us how prison – and the industrialised punishment system that is the heart of the prison industrial complex – achieved such a central place in structuring the state and shaping the landscape, nor do they show us whether the state is a variation on the Keynesian theme or something new to globalisation.

In my view, the expansion of prison constitutes a geographical solution to socio-economic problems, politically organised by the state which is itself in the process of radical restructuring. This view brings the complexities and contradictions of globalisation home, by showing how already existing social, political and economic relations constitute the conditions of possibility (but not inevitability) for ways to solve major problems. In the present analysis ‘major problems’ appear, materially and ideologically, as surpluses of finance capital, land, labour and state capacity that have accumulated from a series of overlapping and interlocking crises stretching across three decades.

The accumulation of surpluses is symptomatic of ‘globalisation.’ Changes in the forces, relations and geography of capitalist production during the past thirty years have produced more densely integrated ‘sovereign’ (nation state) political economies, exemplified by supra-national trade regions such as NAFTA and supra-national currencies such as the Euro. However, interdependence is not a precursor to universal equality. Quite the contrary, as Neil Smith argues, the trend towards equalisation rests on a deep foundation of differentiation: if the whole world is available as site or resource for capitalist production, intensive investment in some places to the detriment of others is caused by and produces ‘uneven development’. The disorderly effects of ‘globalisation’ are part and parcel of uneven development, and the expansion of prison in the US is a logical, although by no means necessary, outcome of dynamic unevenness. But if economics lies at the base of the prison system, its growth is a function of politics not mechanics.

### **Why 1968? Historicising crime, Keynesianism, and crises**

I have said that the ‘moral panic’ underlying prison growth achieved formal US-wide recognition in Nixon’s 1968 ‘law and order’ campaign. Mid-sixties radical activism, both spontaneous and organised, successfully produced widespread disorder throughout society. The ascendant Right’s effort to gain the presidency used the fact of disorder in persuading voters that the incumbents failed to govern. The claim was true insofar as it described objective conditions. But in order to exploit the evidence for political gain, the Right had to interpret the turmoil as something it could contain, if elected, using already existing, unexceptionable capacities: the power to defend the nation against enemies foreign and domestic. And so the contemporary US crime problem was born. The disorder that became ‘crime’ had particular urban and racial qualities and the collective characteristics of activists (whose relative visibility as enemies was an inverse function of their structural lack of power) defined the face of the individual criminal.

A broad-brush review of some major turning points in political radicalism highlights who became the focus of moral panic. Given that criminalisation is most intensely applied to African Americans, it makes sense to start with the Black Power movement. Black Power became a popularly embraced alternative to assimilationist civil rights struggle in 1964, after the Democratic Party publicly refused to seat the Black Mississippi Freedom Democratic Party (MFDP) at the national convention. The delegation represented women and men who had engaged in deadly struggles with white power southern elites in order to gain the vote. While antisystemic bullets did not replace reformist ballots with the emergence of Black Power, the MFDP experience convinced many activists who had worked within legal and narrowly (electoral) political systems that tinkering with the racial structure and organisational practices of the US state would not make it something new. In response to the plausible impossibility that Black or other subordinated people could ever sue for equality within the framework of constitutional rights, below-surface militancy popped up all over the landscape.

Until the 1960s, virtually all riots in the US were battles instigated by white people against people of colour, or by public or private police (including militias and vigilantes, also normally white) against organising workers of all races. But, from the 1965 Los Angeles Watts Riots forward, urban uprising became a means by which Black and other people held court in the streets to condemn police brutality, economic exploitation and social injustice. Radical Black, Brown, Yellow and Red Power movements<sup>4</sup> fought the many ways the state organised poor peoples’ perpetual dispossession in service to capital. Radical white activists – students, wage workers, welfare rights agitators

– added to domestic disorders by aligning with people of colour; they also launched autonomous attacks against symbols and strongholds of US capitalism and Euro-American racism and imperialism.

Indeed, growing opposition to the US war in Vietnam and Southeast Asia helped forge one international community of resistance, while an overlapping community, dedicated to anti-colonialism and anti-apartheid on a world scale, found in Black Power a compelling renewal of historical linkages between ‘First’ and ‘Third World’ Pan African and other liberation struggles. At the same time, students and workers built and defended barricades from Mexico City to Paris: no sooner had the smoke cleared in one place than fires of revolt flared up in another. The more that militant anti-capitalism and international solidarity became everyday features of US anti-racist activism, the more vehemently the state and its avatars responded by, as Allen Feldman puts it, ‘individualizing disorder’ into singular instances of criminality, that could then be solved via arrest or state-sanctioned killings rather than fundamental social change. With the state’s domestic war-making in mind, I will briefly examine another key aspect of the legendary year.

### **Something else about 1968**

If 1967-68 marks the domestic militarist state’s contemporary rise, it also marks the end of a long run-up in the rate of profit, signalling the close of the golden age of US capitalism. The golden age started thirty years earlier, when Washington began the massive build-up for the second world war. Ironically, as Gregory Hooks has demonstrated, the organisational structures and fiscal powers that had been designed and authorised for New Deal social welfare agencies provided the template for the Pentagon’s painstaking transformation from a periodically expanded and contracted Department of War to the largest and most costly bureaucracy of the federal government. The US has since committed enormous expenditure for the first *permanent* warfare apparatus in the country’s pugnacious history.

The wealth produced from warfare spending underwrote the motley welfare agencies that took form during the Great Depression but did not become fully operational until the end of the second world war. Indeed, the US welfare state bore the popular tag military Keynesianism to denote the centrality of war-making to socio-economic security. On the domestic front, while labour achieved moderate protections and entitlements, worker militancy was crushed and fundamental US hierarchies remained intact. The hierarchies map both the structure of labour markets and the socio-spatial control of wealth. Thus, white people fared well compared with people of colour, most of whom were deliberately excluded from original legislation; men received automatically what women had to apply for individually, and,

normatively, urban, industrial workers secured limited wage and bargaining rights denied household and agricultural field workers.

The military Keynesian or 'warfare-welfare' state (to use James O'Connor's term) was first and foremost, then, a safety net for the capital class as a whole in all major areas: collective investment, labour division and control, comparative regional and sectoral advantage, national consumer market integration and global reach. And, up until 1967-68, the capital class paid handsome protection premiums for such extensive insurance. However, at the same time that Black people were fighting to dismantle US apartheid, large corporations and other capitals, with anxious eyes fixed on the flattening profit-rate curve, began to agitate forcefully and successfully to reduce their contribution to the 'social wage'. Capital's successful tax revolts, fought out in federal and state legislatures, provoked the decline of military Keynesianism.

Put broadly, the economic project of Keynesianism consisted of investments against the tide, designed to avoid the cumulative effects of downward business cycles by guaranteeing effective demand (via incomes programmes, public borrowing strategies and so forth) during bad times. The social project of Keynesianism, following from the central logic that full employment of resources enhances rather than impedes the production of new wealth, was to extend to workers – unequally, as we have seen – protections against calamity and opportunities for advancement. In sum, Keynesianism was a capitalist project that produced an array of social goods that had not existed under the preceding liberal (or *laissez-faire*) capitalist state form.

Keynesianism's economic project, severely weakened by capital's tax revolt, encountered its first round of dismantling in the early 1970s, but the social project took the rap for all the anxiety and upheaval that ensued. Part of the post-war civil rights struggle had been to extend eligibility for social welfare rights and programmes to those who had been deliberately excluded. The individualisation of *this* disorder (from the 1965 Moynihan report on the pathological Black family, through the 1980 Reagan presidential campaign) increasingly starred an unruly African American woman whose putative dependency on the state, rather than a husband, translated into criminality.

### **Crisis and surplus**

To sum up: there is a moral panic over 'crime' – civil disorder, idle youth on the streets, people of colour out of control, women and children without husbands and fathers, students who believe it is their job to change the world (not merely to understand it) and political alliances among organisations trying to merge into full-scale movements. In other words, there is a social crisis. And there is also an economic panic

– capital disorder, or the profits crisis. These crises collide and combine into the crisis that prison ‘fixes’.

The new state emerging from the crises, and materialised as the integument of the prison industrial complex, is neither unexpected nor without roots. Rather, the US state (from the local to the national) can claim permanent ideological surplus in the realm of ‘defence’. Indeed, from the genocidal wars against Native Americans to the totalitarian chattel slavery perpetrated on Africans, to colonial expansion, to the obliteration of radical anti-racist and anti-capitalist movements, the annals of US history document a normatively aggressive, crisis-driven state. Its modus operandi for solving crises has been the relentless identification, coercive control, and violent elimination of foreign and domestic enemies.<sup>5</sup>

Crisis and surplus are two sides of the same coin. Within any system of production, the idling, or surplusing, of productive capacities means that the society dependent on that production cannot reproduce itself as it had in the past, to use Stuart Hall’s neat summary of Marx. Such inability is the hallmark of crisis, since reproduction, broadly conceived, is the human imperative. Objectively, crises are neither bad nor good, but crises do indicate inevitable change, the outcome of which is determined through struggle. Struggle, like crisis, is a politically neutral word: in this scenario, everyone struggles because they have no alternative.

The economic panic deepened in the early 1970s, at the same time that radical political activists were assassinated, went to prison, disappeared underground, or fled into exile. In 1973, the federal government finished its five-year plan to decouple the dollar from gold and immediately thereafter devalued the dollar, shoving the US into the 1973-7 global recession. The 1973 wage freeze was prelude to a twenty-five year decline in ordinary people’s real purchasing power, made instantly harsh as workers tried to buy necessities at inflated prices with devalued greenbacks. During the same period, of course, money began its spectacular rise as *the* contemporary commodity (to echo Paget Henry’s inflection), and interest brokering displaced productive investment as the means to make money make more of itself.

The mid-1970s recession produced many other kinds of displacements, related to the movement of dollars away from gold and capital away from production. Steep unemployment deepened the effects of high inflation for workers and their families. Big corporations eliminated jobs and factories in high-wage heavy industries (e.g., auto, steel, rubber), decimating entire regions of the country and emptying cities of wealth and people. Even higher unemployment plagued farmworkers and others who laboured in rural extractive industries such as timber, fishing and mining. Landowners’ revenues did not keep up with the cost of money for a variety of reasons related to changing

production processes and product markets, as well as seemingly 'natural' disasters. Defaults displaced both agribusinesses and smaller growers and other kinds of rural producers from their devalued lands, with the effect that land and rural industry ownership sped up the century-long tendency to concentrate.

Urban dwellers left cities, looking for new jobs, for cheaper housing (given the inflated cost of houses and money), or for whiter communities, and suburban residential and industrial districts developed at the same time that city centres crumbled. Those left behind were stuck in space, lacking the social or financial mobility to follow capital, while at the same time international migrants arrived in the US, pushed and pulled across territory and state by the same forces of equalisation and differentiation that were producing the US cataclysm.

The sum of these displacements was socialised, in a negative way, by the state's displacement from its Keynesian job to produce equilibrium from profound imbalances. No central, strategic plan emerged to employ the state's capacities and absorb the national surpluses of finance capital, land or labour. And why would there be, since the scale at which military Keynesianism operated – that of the nation state – was approaching political-economic obsolescence in the late twentieth century round of globalisation. Make no mistake: I do not mean 'the state' was withering. Quite the contrary, the nation was being 'prepped' for global developments by operators firmly ensconced in state institutions, such as the Federal Reserve Bank governors who, as Edwin Dickens argues, powerfully insisted that the state's capacity to discipline labour was politically and economically more important than the state's capacity to guarantee labour a decent share of surplus value. The unabsorbed accumulations from the 1973-7 recession laid the groundwork for additional surpluses idled in the 1981-4 recession and again in 1990-4, as the furious integration of some worlds produced the terrifying disintegration of others.

### **Dateline California**

California passed the trillion (million million) dollar Gross State Product (GSP) mark in 1997, a level nominally equal to the GDP of the entire United States in 1970. However, the wealthy and productive State's family poverty rate more than doubled between 1969 and 1995, rising from 8.4 per cent to 17.9 per cent of the growing population. Indeed, in 1995, California's national poverty ranking was eighth from the top, in company with historically poor states such as Louisiana, New Mexico, Mississippi, West Virginia and Kentucky; with rich New York and Texas, where prisons have also expanded significantly, and with the classically bifurcated District of Columbia, that has both the highest per capita income and second highest poverty in the country.

Throughout the golden age of capitalism, California functioned as what Dick Walker calls a 'principal engine of US economic growth', and used resources from defence-dependent prosperity to provide state residents with broadening opportunities. An indicator of change to come was the 25 per cent increase in children's poverty between 1969 and 1979. This abandonment of the least powerful members of society presaged the State's future broadening abdication of responsibility to remedy adversity and inequality. And, in fact, the child poverty rate jumped again, rising 67 per cent between 1979 and 1995, to shape the future chances of one in four of the State's kids.

California's phenomenal rise in family and child poverty is a dynamic symptom of the displacements characterising the 1970s, 1980s and 1990s recessions – dynamic because the negative effects have compounded even in boom years. The surplusing of California's children goes hand in hand with the accumulation of other surpluses.

- *Finance capital* California experienced a dual shift in income. First, property income increased as a share of total income, the other principal components of which are wages and salaries. Second, interest income increased as a share of property income, the other components of which are dividends, rent and profits. Productive capitals in the State started paying for equipment or factory expansion out of retained earnings (profits not paid out to shareholders as dividends). In these circumstances, finance capitals had to scramble for new profit-making opportunities, and increasingly looked to money itself, rather than steel, cars or aircraft, to do the job.

As a category of capital, finance capital is the most mobile, but the actual firms that specialise in matching borrowers with funds operate in particular political economic geographies.<sup>6</sup> Spatial constraint is abundantly clear in the US realm of public debt: all borrowing done at the State or municipal level is, by federal law, State-regulated. For California firms specialising in public sector finance, the challenge to find governmental borrowers was further complicated because traditional infrastructural investment (school buildings, highways and roads) had been deferred during the long 1970s recession, while thereafter both State and local officials depleted reserves rather than ask short-tempered, wage-frozen taxpayers to approve new debt obligations. In sum, public sector financiers had a crisis – growing pools of investable cash but shrinking outlets – that could only be resolved in the political arena, where decisions about the legitimate uses of public debt are made by voters, legislators and clever interpreters of existing statute.

- *Land* California's patterns of land use have changed significantly during the past thirty years. Most notably, since 1978 about 100,000 acres per year of irrigated farmland have been taken out of production. The fate of these idled farmlands stands as proxy for rural restructuring



in general. The recession of the 1970s overlapped with a drought, huge increases in farm debt (taken on in part to irrigate land) and suburbanisation brought on by the combination of white flight and the inability of wage earners of all kinds to afford houses in desirable urban areas.

Agribusinesses of varying sizes were forced out by debt – whether because their commodities were destroyed by early 1980s floods, or priced out of global commodity markets due to the then-surging dollar – or quit in anticipation of adversity or an advantageous sale. Indeed, for some owners the surplus of lands converted into cash because developers bought the farm: portions of inland counties once used almost exclusively for irrigated agriculture were developed into vast residential and commercial areas. However, there was not an acre-for-acre trade-off between farm disinvestment and suburban development. For other owners, whose lands lay outside the path of development, the surplus constituted crisis, in the form of both ‘fictitious’ costs<sup>7</sup> and real costs (taxes, insurance, maintenance) necessary to maintain an under-producing asset. And finally, for rural monopolies or oligopolies, the crisis consisted of how to maintain unequal relations of power and control in places where increased productivity due to mechanisation surplused both marginal land and many many workers, with the rural proletariat, rather than the long-disappeared small farmer, bearing the principal brunt of displacements. Indeed, surplus land and high unemployment can be guides for locating each other because in tandem they indicate that capital has reorganised in, or withdrawn from, an area. Such is the case with large areas of urban California.

• *Surplus labour* California’s restructuring since the early 1970s included the reorganisation, or the termination, of many capital-labour relationships that had been hammered out through struggle during the golden age. All kinds of workers experienced profound insecurity, as millions were displaced from jobs and industries by capital flight, by outsourcing and by mechanisation. Racist and nationalist confrontations heightened, driven by the common-sense perception that the state’s public and private resources were too scarce to support the growing population and that therefore some people had to go. But actually people came, as immigrants reconfigured the state’s demographic composition. These twin movements of capital and labour produced a growing relative surplus population; workers at the extreme edges or completely outside restructured labour markets.

During most of the 1970s, California’s increase in the labour force was roughly commensurate with the increase in available jobs, even though unemployment hit extremely high levels in the recession. But from 1980 onward, employments stopped keeping pace with the labour force – shortly before the number of prisoners started to shoot off the chart. The overall trend is for labour force growth to exceed employment growth by about 4 per cent. The sum of the state’s average annual

number of unemployed persons, plus the average annual number of prisoners, is about one million. These million constitute the empirical minimum of California's relative surplus population, or surplus labour.

The reorganisation of labour markets has expelled from the workforce modestly educated people in the prime of life who once might have gained their wages making and moving things. African American men are first among the dispossessed in this regard, although many kinds of workers are experiencing something close to permanent redundancy. Underemployment and worklessness are higher among men than women of similar demographic profile. The lower a person's income, the more likely she or he is to have been unemployed. In urban space, high unemployment rates correspond to areas with the greatest school dropouts, which in turn map onto areas that industries have abandoned, taking along their own jobs and local jobs dependent on the dollars circulated by the bigger firms. Of course, these dynamics are not simply the residual outcomes of 'market forces' but, rather, the predictable results of capital abandonment facilitated by what Michael Tonry calls the State's 'malign neglect'.

- *State capacity* As stated earlier, the Keynesian state came under sustained attack from powerful economic and political critics. Marx observed that tax struggle is the oldest form of class struggle. The tax revolt staged by California capitals in the late 1960s was answered by the legendary homeowners' (i.e., labour's) tax revolt of 1978. And finally, starting in the early 1980s, the federal government reduced its participation in State and local government funding of social programmes, thereby passing along to lower-scale jurisdictions the task of making up for federal tax cuts that had been granted to capitals and rich individuals. California was left with the *technical* ability to do all kinds of things: raise money and spend it, pass laws and enforce them. But it lacked the legitimacy to renovate the old military Keynesian projects by, for example, putting inner-city and rural youth to work, or expanding and improving educational opportunity, or buying firms that threatened to leave and making them community-owned cooperatives.

In this historical context, old markets for certain fractions of finance capital, land and labour were dying, while new ones had not yet been born that might absorb the surpluses. For California, the outcomes of tax struggles translated into delegitimation of programmes the state might have used to put surpluses back to work, while at the same time the state retained bureaucratic, fiscal and legal apparatuses from the golden age. In other words, the massive restructuring of the state's tax base in effect surplused the Keynesian state's capacities. However the state did not disappear, just as surplus workers or land or other idled factors of production do not disappear. Rather, what withered was the state's legitimacy to act as the Keynesian state. The state's crisis, then, was also a crisis for persons whose rights and entitlements would be

surplused from the state: how absolutely would they be abandoned, and would their regulation take new forms?

The post-war pragmatic care once unevenly bestowed on labour was transferred, with an icing of solicitude, to capital. The state at all levels focused on capital's needs, particularly on how to minimise impediments and maximise opportunities for capital recruitment and retention. However, having abandoned the Keynesian full employment/aggregate guarantee approach to downturns, the power bloc that emerged from the 1980s onward faced the political problem of how to carry out its agenda – how, in other words, to go about its post-Keynesian state-building project in order to retain and reproduce victories. Capital might be the object of desire, but voters mattered. The new bloc, having achieved power under crisis conditions, consolidated around a popular anti-crime campaign that revived Richard Nixon's successful law and order pitch. Thus the state rebuilt itself by building prisons fashioned from surpluses that the emergent post-golden-age political economy was not absorbing in other ways.

### **The prison fix**

A final blow to 'golden-age' activism was the end of prisoners' rights movements. In concert with their counterparts elsewhere, California's radical prisoners framed their activism in terms of their economic, political and racial lack of power, and challenged the class nature of the state's cage-based social control. But, at the same time, many prisoners fought in federal courts for reform; they used constitutional law to compel the State to improve prison conditions and to stop giving people indeterminate (i.e., one-year-to-life) sentences. Federal court-ordered successes formed the basis on which California began to revise the purpose and design of the system. However, by changing its sentencing structure and pledging to remedy overcrowded and decrepit facilities, the State paved the way for expanding, rather than surplus-ing, its capacity to put people in cages.

The limit to any reform, as Angela Y. Davis and others consistently argue, is the system itself: reform tends to strengthen institutions, especially those geared to social control. At first, California planned simply to replace decrepit facilities with small (500 person) new ones. However, that plan never materialised. Instead, new power blocs (which took office in 1982 using a strategy similar to Nixon's 1968 'law and order' campaign) used the improvement plans as a template for the 'megaprisons' that have since been built.

Once the State embarked on the prison construction project, the problem of funding surfaced immediately. In the flush of victory, the newly ensconced post-Keynesian power bloc persuaded voters that if crime was the problem (as electioneers had promised) prison was the

solution and therefore voter approval of public debt was the means to the end. Voters did approve debt to start the building programme, and several rounds thereafter. However, the problem remained that those very voters had given themselves an enormous tax break in recent electoral memory, and had since secured their residential perimeters by rejecting broad obligations and voting for taxes and debt that would improve their exclusive locality. Therefore, State officials (both of the New Right and of the lapsed New Deal sort), guided by entrepreneurial California-based finance capitalists, figured out how to go behind taxpayers' backs. The California Public Works Board, an eminently Keynesian institution, was used to borrow money to build prisons. Previously, the Board's borrowing capacities were used only to raise money for housing, schools, hospitals and other goods that would pay for themselves from homeowners' mortgage payments, local tax revenues, or fees. Prisons produce no income... yet. And then they hired a technocrat from the State's welfare agency to run the expanding prison apparatus.

California's new prisons are sited on devalued rural land, most, in fact, on formerly irrigated agricultural acres. The State intended to put all the new prisons in the southern counties (the Southland) that produce nearly 70 per cent of prisoners. However, political opposition, led by mothers of actual and potential prisoners, kept the State from putting a prison in Mexican American East Los Angeles. Landowners from the agricultural valleys spied an opportunity to unload sinking assets, and politicians from the area (which serves as the great tie-breaking region between the more 'progressive' San Francisco-Oakland area and the conservative Southland) saw advancement if they could deliver the dollars to the agribusiness power brokers. The State bought land sold by big landowners. And the State assured the small, depressed towns now shadowed by prisons that the new, recession-proof, non-polluting industry would jump start local redevelopment, but in fact prisons have not produced the jobs or related improvements projected by prison boosters.

The Southland is an enormous area comprising eight of the State's fifty-eight counties. The greatest number of prisoners come from Los Angeles County, where they have been convicted in nearly two out of three cases of property or drug possession offences. David Grant and his colleagues note that between 1985 and 1990, fully 25 per cent of African American men who moved out of Los Angeles County were involuntary migrants in the prison system, as were 10 per cent of the Black men who moved into the county. While the percentage of women in prison is relatively small, the rate of increase in the number is actually higher than that for men, with again, drugs as the principal 'controlling' offence. The ongoing destruction of post-war labour markets pushes people into new relations of competition, while the dismantling of the welfare state

adds new stresses to the everyday life of the working and workless poor. And once in the industrialised punishment system, it is hard to stay out; administrative parole violations are now used so frequently that annually more than half the state's 110,000 parolees go back into cages without being convicted of new crimes.

The State has used its enormous capacity to raise money, buy land and build and staff prisons. It also makes new laws that guarantee incarceration for more and more kinds of offences, old and new. In fact, the flurry of law-making caused the California legislature to establish permanent committees (the Committees on Public Safety, or 'COPS') whose entire charge is to review and recommend new criminal statutes. Nearly two thousand pieces of criminal law have been enacted in the past decade, and legislators from the dwindling Left to the firmly ensconced Right have all taken the lead on some piece of the new social product. Legislated justice micro-manages the courtroom, and speeds up convictions and incarcerations (and the death penalty) by deskilling judges who otherwise might render different decisions than those mandated. Thus the state produces, and is produced by, the industrialised punishment system which is the core of the prison industrial complex.

### **In the long run, we're all dead**

As I have already noted, California's State budget has grown since the 1970s, while voters have reduced their participation. An enormous, and growing, portion of revenue flows into the prison system, at a level nearly equal to general fund appropriations for the State's two university systems. One explanation for California's budget expansion is that the underlying conditions leading to the waves of tax revolts on the part of capital, labour, and the federal state have continued to be in flux, and therefore the state's definitive task – maintaining a general balance of power – has required big spending at the State level. This would suggest that the new power bloc's intervention, in the name of a small state apparatus, has not achieved hegemony and therefore, if and when relatively uncontested consent is secured, the State's apparatus might shrink. But an equally plausible explanation is that the new power bloc cannot rejig power in the form of the state with any greater cost-efficiency than it has already exhibited. The 'big stick' approach used by US capital to discipline labour requires an enormous, expensive industrial bureaucracy, as David Gordon has shown; the same appears to be true for the capitalist state in crisis.

How can the big state pay its way? Perhaps by selling off assets, such as public utilities and prisons. Many rightly worry that the privatisation of prisons will further the civil deaths of those in custody and present grave dangers that might result in greater numbers of physical deaths

and injuries as well. Capitals are, of course, trying to get a foothold in this lucrative market, where 95 per cent of US prisons and jails are now publicly owned and operated. Alternatively, all prisoners might well be required to work in the public sector, both to pay their own costs and to make profit for the state, as was the case in prisons of the US South starting at the turn of the twentieth century. In such an eventuality, wide-scale slavery, under the provisions of the Thirteenth Amendment to the US constitution, could be the big state's answer to tax struggle. We might think of public sector slavery as the 'crime tax', part of the 'surplus labour tax', whose freeworld (non-prison) variation is workfare, or the 'poverty tax'. Thus we return analytically to the class struggle inherent in tax struggle. But this return takes us to a new place, if we understand from the 'surplus labour tax' that prisoners and other dispossessed persons are at the centre (rather than under or marginal to) the contradictions by which the system moves.

In sum, military Keynesianism emerged from the profound crises of the Great Depression, when dislocations and reconfigurations of capital, land, labour and state capacity restructured capital-labour relations and remapped the world, with California, in some key ways, first among first. Military Keynesianism came out of the same objective conditions that had produced Nazism and Fascism. In the current period of globalisation, we see the demise of military Keynesianism, and its successor militarist state rising on a firm foundation of prisons, peopled by the 2,000,000 and more who represent both the demise of golden-age capitalism and the defeat of alternative societies militantly pursued, throughout the golden age, by those who sought to make impossible the future we live today. But, before we're all dead, alternative global activism, matured by thirty years of mortal lessons, might rise to tear down the sturdy curtain of racism behind which the prison industrial complex devours working men and women of all kinds.

## Notes

My special thanks to Craig Gilmore.

- 1 'State' with an upper-case 'S' designates a specific political geography or government (such as the State of California); 'state' with a lower-case 's' designates the general political-territorial form (the rising prison state) that ranges, in scale, from municipality to nation state.
- 2 Prisoners are classified according to their 'controlling' or most serious conviction. Thus, the more than 6,500 people in CDC custody for 'petty theft with prior' did not commit other, more serious crimes, such as robbery.
- 3 The low ratio is critical: gang membership designation allows prosecutors to demand longer, fixed sentences for dealers, and local law enforcement throughout California has conducted a census of gang membership so zealously that, in at least one city, according to Mike Davis, the police enumerated more gangsters between the ages of 18 and 25 than were actually resident in their jurisdiction.

- 4 The colours refer, respectively, to African, Latino (especially Chicana/o and Puerto Rican), Asian American and Native American groupings.
- 5 Outside the scope of this essay is a discussion of two key themes. One concerns how the US also built into the legal landscape a notably high tolerance for homicide, by defining 'self-defence' so broadly that today the 'average American' believes it is human nature to kill over property or insult as well as to remedy greater perceived wrongs; not surprisingly, the case law establishing aggressively violent standards consists exclusively of incidents in which white men killed white men. The law therefore establishes norms that fix particular relationships among gender, race, citizenship, and power (see Brown, 1991). The second key theme concerns violence differentials between nation states, and the role of victorious war-making in modelling civilian behaviour in the US (Archer and Gartner, 1984).
- 6 Of course there are multi-State and multinational finance capital firms; but, deal by deal, they do their business in places, not in undifferentiated space. No matter how quickly value can be transferred between currencies and polities, each accounting moment occurs in, and by virtue of, a jurisdiction. Thus, when Leeson brought down Barings Bank (that accumulated much lucre in the nineteenth century lending money to US cotton plantations worked by slaves), he fled Singapore, not Barings, to evade punishment.
- 7 The decline in the price at which the land might sell, especially compared to the rising price of suburbanisable plots.

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# Popular racism in corporate Europe

The European Union Single Market, a free trade zone encompassing fifteen member states and 371 million people, is already the world's largest trading entity and accounts for an estimated 20 per cent of world trade. Far from being a passive recipient of the benefits of global trade, the EU is one of the major driving forces behind globalisation and corporate rule, overcoming its social regulatory past to support the Multilateral Agreement on Investment, promote the genetic manipulation industry, advocate deregulation, privatisation and flexibility and demand massive cuts in public spending in order to meet the requirements of the single European currency, due to be introduced on 1 January 1999.<sup>1</sup>

But there is a challenger to this new corporate agenda. A new army of extreme-Right, anti-immigrant parties is set to do battle, not so much with the EU's main beneficiaries – the transnational corporations – as with the TNCs' agents, national governments. As the frantic pace of European harmonisation transforms the nation state, exacerbates existing regional disparities and breaks up working-class communities and culture, two breeds of populist, extreme-Right parties are emerging to enjoy a success unprecedented in the post-war period.<sup>2</sup> While the first type, epitomised by the Front National (FN) in France, seeks to exploit the insecurities of globalisation's (white) losers, the second, represented most clearly by Italy's Northern League, espouses the greed and selfishness of its winners. Both populisms share a desire to challenge the existing nation state, with the issue of sovereignty key.

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*Race & Class*, 40, 2/3 (1998/99)

### Campaigns for national preference

The first type of populism harks back to an earlier era of national greatness, demanding that the rights of individual nation states be protected from what the extreme Right would describe as an emerging global state. Most of the rhetoric of the extreme-Right groups associated with this brand of populism tends to be opportunistic; the vilification of all things foreign hardly amounts to a sustained assault on globalisation. Nevertheless, such extreme-Right parties have advanced electorally now – rather than, say, twenty years ago – precisely because the social upheaval and economic adjustments that globalisation demands fragments communities and leaves them, in the absence of other political moorings, susceptible to xenophobic conspiracy theories about international capital.

Take, for instance, the economic background to the electoral success of the German People's Union (DVU) in the April 1998 elections for the east German parliament of Saxony-Anhalt. Unification for east Germans has spelt the end of old employment certainties. Not for east Germans the famous 'Rhineland' model of capitalism, based on consensus and power-sharing, collective wage agreements and factory work councils. As German companies make record investments abroad (£20 billion in 1997, 26 per cent more than the previous year<sup>3</sup>) Saxony-Anhalt, once east Germany's industrial heartland, has been transformed into an industrial wasteland as Germany's poorest state, suffering disproportionately from the closure of foreign companies and the tendency of German companies to relocate abroad in their relentless search for cheaper labour.

Deploying slogans like 'German money for German jobs' and 'Workplaces for Germans first' (one member even managed to call for a boycott of the German car giant Volkswagen on the grounds that its motors are produced in Hungary), the DVU captured 12.9 per cent of the vote and sixteen parliamentary seats to become the first openly far Right party to be represented in an east German parliament since the second world war. Its message may have been crude but it was persuasive, particularly to the young and unemployed who are turning towards authoritarianism and anti-Semitic conspiracy theories which blame Jews for globalisation. Indeed, it is estimated that at least one-third of east German youth are now attracted to the far Right.<sup>4</sup>

In Austria, a more serious threat to the mainstream political parties is posed by the Freedom Party (FPÖ), now the third largest political party in Austria, and the largest opposition force. Yet the FPÖ, too, deploys a crude Austrian nationalism which draws its strength from economic realities. While Austrian small businesses are reacting angrily to the dominance of Germany over the Austrian internal market (the Austrian Economic Research Institute estimated that 80 per cent of

foreign investment in 1996 was German<sup>5</sup>) and what has been described as 'Deutschmark imperialism', working class discontent has focused on a series of German industrial take-overs, in particular the closure of factories in Austria in favour of sites in eastern Europe where labour costs are cheaper. FPÖ leader Jörg Haider has reacted by launching an anti-EU, Austria First campaign which concentrates not on the activities of German multinationals (Haider was once a pan-German nationalist who advocated Austrian annexation) but on xenophobic attacks against Austria's eastern European neighbours and particularly its migrant workforce.

The French Front National, on the other hand, has got multinational capital in its sights.<sup>6</sup> But this is hardly surprising, given the general tendency towards economic and cultural isolationism within the French political establishment. Prior to joining the EEC in 1957, France was one of the most protectionist economies in Europe; entry was part of a wider plan – initiated by a core group of industrial economists under the slogan 'Modernisation or Downfall' – to transform the country from a largely rural society into an industrial one.<sup>7</sup> Resistance to further economic restructuring today harks back to this earlier protectionism and is most often couched in terms of the need to protect the French capitalist model from its Anglo-Saxon counterpart. As journalist John Vinocur points out, the FN's attacks on 'the development of a multiracial France, its eagerness to find foreign encroachment in every aspect of life, its protectionist and racist remedies for France's problems' are, to a large extent, a 'perverted echo of an instinct within the democratic political and intellectual establishment that reacts to change as a threat to French identity.' As such, it is the political establishment that 'has legitimized the idea of cabals and occult forces working to repress France'.<sup>8</sup>

In the past, the FN advocated a Thatcherite economic agenda but, in the mid-1990s, it began to refine its position and launched a Campaign Against Globalisation, denouncing the technocratic power of the European Commission, calling for repeal of the Maastricht treaty and for Europe's withdrawal from the GATT agreements and the World Trade Organisation. All of this, as Christopher Flood has pointed out, combined with warnings about 'globalist ideology and the American expansionism underlying the prospective New World Order'.<sup>9</sup> In fact, the FN's hostility to globalisation stems not from a genuine understanding of the issues involved, but from its overweening sense of national sovereignty and cultural superiority. Its aim is to keep the global barbarians at the gate – thus its critique of globalisation meshes neatly with its racist agenda. Both find expression in its 'Campaign for National Preference'.

The key economic issue which separates the FN from neo-liberals is trade, more precisely international trade agreements that sap the 'sovereignty' of nation states in favour of what the FN would describe as

a global super-state. So that, when it comes to trade agreements, the FN harks back to an earlier era when trade followed the flag and the nation state ruled supreme. While the Campaign for National Preference does translate into concrete demands (calls for the protection of French products and services by means of trade barriers, for instance, and the demand that French workers be protected from unemployment by the removal of immigrants), the language in which it is couched evokes an unspecified but powerful sense of threat. If, for the FN, globalisation is less an economic process than a cultural and ideological assault on the spiritual essence of France, then it follows that the global structures governing world trade are part and parcel of a huge international conspiracy, a conspiracy to destroy the French nation – its language, its currency, even its cinema – in favour of a new global state whose mission is to transform the world into a single cosmopolitan space and to impose ‘*la culture Anglo Saxon*’ on the French-speaking world. And here the plot thickens, for this new world culture is none other than US culture (it is, after all, the Americans who are most to blame for France’s declining role on the international stage.) One FN poster neatly ties up this triptych of anti-globalisation, anti-cosmopolitan and anti-US themes. In it, globalisation is depicted as the popular US children’s TV figure, Barney. TV Barney is a cuddly, avuncular purple dinosaur (who, incidentally, befriends children of all ethnic backgrounds). But, in the FN’s poster, the dinosaur is transformed into a savage monster decked out in US colours and gobbling up French working people under the slogan, ‘Globalisation: the eater of work’.

‘Cosmopolitanism’ and ‘multiculturalism’, then, are seen by the FN as the ultimate goal of globalism. Thus, rather like Pauline Hanson and the One Nation Party, Le Pen campaigns on a platform of economic protectionism and the abolition of multiculturalism, openly linking opposition to globalisation with an agenda of racial discrimination. But, unlike One Nation, the FN holds the reins of local and regional government in four local authorities in southern France – Orange, Marignane, Toulon and Vitrolles – and is in *de facto* coalition with the centre Right in at least three regions, Rhône Alpes, Picardy and Languedoc-Roussillon. As such, the FN is in a position to act on its racism with policies that range from throwing out multicultural books in local libraries in favour of FN tracts to closing down voluntary organisations and arts groups that promote ‘decadent’ culture; from offering maternity bonuses to the mothers of French babies to refusing to bury the non-EU dead in French graveyards – maintaining dominion, even in death.

### **Regional racism: small is powerful**

The second type of populist movement embraces neo-liberalism, seeing in the global market a chance to escape the tax tyrannies of the nation

state and an opportunity for politicians to elevate their regions to a higher niche in the world economy. Far from representing oppressed minorities or poor, economically depressed regions exploited by centralising nation states, these populist movements aspire to elite status, emerging as they do in some of the richest and most economically successful areas of Europe. Their racism is directed not just at immigrants but at the burdensome poor from whom wealth and entrepreneurship demand to be liberated. By far the most successful of these movements to date is the Italian Northern League.

Employers, businessmen and professionals make up the active membership of the League, which was founded in 1982 and now has fifty-nine seats in the Lower House, twenty seven in the Senate and controls around 200 local authorities.<sup>10</sup> In 1997, League leader Umberto Bossi called for Italy to be split into two and for a separate country, Padania,<sup>11</sup> to be created in the North in the area through which the river Po flows. The areas where the League is strongest – the towns and villages around Lombardy, Veneto and Piemonte – are among the richest in Europe with flourishing local economies. Exports from one industrial boom district alone, Treviso (headquarters of Benetton) are, for instance, the same as the southern Italian regions of Sicily, Apulia, Campania and Calabria combined. Indeed, if the Northern League were to succeed in its secessionist project, Padania, with 32 million people, would have the highest per capita income in Europe, southern Italy one of the lowest.<sup>12</sup>

An official application for Padania to join the EU has been made by the League, which has set up its own offices in Brussels. It argues that, if only northern Italy could rid itself of the south, it would meet all the conditions necessary for joining the single currency (the south without the north would meet none) and could become the Taiwan of the Mediterranean. Thus, while Northern League campaigns directed against the poor include attempts to clear the Riviera beaches of immigrant hawkers, demonstrations against the homeless and the formation of vigilante committees against immigrants and Gypsies in major cities, its vicious rhetoric also incorporates denunciations of poor southerners, the 'Roman scroungers' whom northerners despise.

The Northern League is not an isolated phenomenon. The *Economist*, drawing on the work of the Harvard economist Professor Alberto Alesina, argues that as small countries are the biggest beneficiaries of freer trade, it follows that the world of the next century will have more small countries.

Trade liberalisation and political separatism go hand in hand... In a world of free trade and global markets, even relatively small cultural, linguistic or ethnic groups can benefit from forming small and homogenous political jurisdictions that trade peacefully and are economically integrated with others.<sup>13</sup>

Already, other elitist regional movements are emerging in Europe, combining racism against immigrants with attacks on poorer compatriots, and demanding the creation of a new political dispensation in which regional, not national, government collects taxes and controls social security systems, so that rich regions might be liberated from poorer ones. Thus in Belgium, where the far-Right Vlaams Blok has called for the independence of Flanders, there is increasing resentment that the hi-tech rich Flemish north is being held back by the impoverished industrial regions of Wallonia. In Spain, the regional president of Catalonia has complained that Catalonia is subsidising the rest of the country, while in Majorca, now the richest province in Spain, nationalists plead the same cause as that of the Northern League.<sup>14</sup> And in Germany, the prosperous south-western states of Bavaria and Baden-Württemberg have called for a change to the German constitution in order to cut financial transfers from the south to poorer northern states. They want to prepare the way for a system in which the south would make lower contributions to the welfare state since unemployment and poverty are far more extensive in the north.

### **The erosion of democracy**

In the final analysis, the traditional political parties of Europe will most probably be strong enough to withstand the threat posed by the extreme Right. But at what cost? Corporate Europe needs a strong EU to advance the cause of European capital globally, but at the national level the pace of change and the subsequent loss of economic control is intensifying social and regional inequalities. Not 'One Europe, but several' is being created, with divisions between the productive heartlands of core Europe and the isolated rural areas and industrial wastelands of peripheral Europe. But the peripheries, as Nicholas Hildyard explains, physically exist not only outside the core regions but also as black spots within it; they are those areas 'deemed fit only to supply cheap labour to the pan-European commercial interests that dominate the core'.<sup>15</sup>

At the moment, it is the extreme Right which reaps the electoral dividends of Europe's uneven development. But, in attempting to wrest the initiative away from the extreme Right, the mainstream parties of centre Left and centre Right are increasingly speaking to the extreme Right's racist anti-immigrant agenda. In the process, racism is debasing Europe's democratic traditions.

In the first place, racism today is electoral. In the post-war period, the racism of the political parties was held in check by the need for a cheap immigrant labour force to rebuild Europe's manufacturing base. But, in a technological society, where workers are no longer needed in such large numbers, there is no longer a tension between the state's need for immigrant workers and the far Right's desire to repatriate them.

Today, as Social Democrat parties cave in to corporate Europe's agenda and abandon any commitment to the welfare state, immigration is becoming the sole issue that distinguishes the mainstream political parties from each other and, as such, wins, or loses, elections. No country is immune. For example, in the Danish general election of March 1998 in which the anti-immigrant Danish People's Party (DPP) gained 7 per cent of the vote, immigration and anti-refugee themes emerged as the key issue, as they had done previously in the November 1997 local and regional elections. These were dominated by media hysteria over immigrant birth rates and access to social security. (And this in a country which has less poverty and a fairer distribution of wealth than any other EU country as well as a relatively small and well-integrated immigrant community!<sup>16</sup>) The picture is repeated in oil-rich Norway, where the anti-immigrant Progress Party emerged as the second biggest political force in the Norwegian parliament after the September 1997 general election, winning twenty five seats and 15.3 per cent of the vote.<sup>17</sup> And in France, where Le Pen's anti-immigration themes have long since been adapted by the mainstream parties, the latest Le Penisation of the programme of the centre Right came when the former Gaullist prime minister Edouard Balladur called for the Socialist government to engage the participation of the FN in a special Commission for National Preference.

While it is not necessary to fall back on conspiracy theories to explain the electoral advance of the extreme Right, it is not hard to see how in Germany the Christian Democratic Party and its allies tried to capitalise on the DVU's racism as the centre Right faced the serious danger, for the first time in sixteen years, of losing the reins of government. The DVU as a party does not even really exist (it has no organisational structures and is bankrolled by its leader, the multi-millionaire neo-Nazi publisher Gerhard Frey). Frey himself has discounted it as a serious party political force, describing its role instead as that of a catalyst, forcing politicians to return to their 'national roots' and bring about job creation by preventing foreigners from stealing jobs from Germans. When still Chancellor, Kohl responded to the DVU threat by telling guest-workers to behave as guests or get out. And Germany's (then) finance minister Theo Waigel, who also heads the Bavarian Christian Social Union, called for an end to all immigration and the summary expulsion of foreigners convicted of crime, declaring that 'We are not a multicultural society, we remain a German nation'.<sup>18</sup>

Moreover, the racism propounded by the extreme Right is undermining Europe's progressive political traditions by redefining the debate around the welfare state, and in this both elitist regionalists and racist nationalists play a distinct role.

The regionalists, for their part, are adding to the neo-liberal assault on the welfare state by doing battle with the very idea of a national

system of social protection. If these movements are to have their way, the notion of a minimum safety net for the most disadvantaged, setting a standard below which society must not fall, will be redefined so that one can no longer speak of a national social benefit system or a national standard of health care. Rather, what you get will depend on where you live; taxes and social security will be calculated regionally – and the poor in the poorer regions can go to the wall. Social solidarity, social cohesion, Enlightenment values of equality and fraternity, will be abandoned in favour of the survival of the fittest regions.

The nationalist racist movements, on the other hand, debase Europe's progressive traditions by hijacking the language of working-class struggle and incorporating it into their racist project. Left-wing analysts on the other side of the Atlantic have taken heart from mass demonstrations across Europe in support of the welfare state, but things look rather different from within Europe. For such demonstrations have not acted either as a spur to left-wing movements to give political voice to socialist principles of solidarity or as a reminder to the traditional Social Democrat parties to defend what is best in Europe's welfare systems. Indeed, it is the Social Democrats' abandonment of the welfare state and any commitment they may have once had to a reformist politics that has served a fragmented working class up to the extreme Right. Today, it is the extreme Right which has stepped into the vacuum created by the erosion of social democratic (let alone socialist) ideas to champion the (white) working-class and defend the welfare state. Thus, the FN, whose share of the national vote now outstrips that of the Greens and the Communists combined, depicts itself as the protector of the working class from the ravages of the global market; the leader of the FPÖ describes himself as the protector of the poor, the elderly and the working class. The message of Morten Hoeglund, a senior adviser to the Norwegian Progress Party that 'We are the caretakers of the working class... Labour has deserted the welfare state' is repeated by DPP leader Pia Kjaersgaard, who likes to portray herself as an ordinary housewife, in tune with the everyday problems of ordinary Danish folk.

For these national racists, unlike their regionalist counterparts, there is still such a thing as social solidarity – but only as long as society is white, Christian, national and geared towards the protection of its own kind. Solidarity with immigrants, refugees, the Third World, on the other hand, is nothing short of criminal, a perverse denial of cultural roots. And international solidarity is the greatest crime of all. But at this point, the agenda of the national racists becomes a distorted mirror of corporate Europe. Corporate Europe can only reap the benefits of globalisation by shutting out its eastern European and North African neighbours and by setting itself against its former colonies in the Third World. This is the Europe which destroys the market in bananas of the small Windward islands and the livelihood of Caribbean farmers by



rewriting the Lomé convention; this is the Europe which reneges on trade agreements it made to South Africa when apartheid collapsed, because Mandela's South Africa refuses to kow-tow to regulations imposed by the World Trade Organisation to open up its market to European goods. While it is corporate Europe which is laying the economic foundations upon which the culture of the extreme Right can grow, it is national governments that allow racism to become a placebo for economic insecurity and loss of national sovereignty. Until the Left opposes globalisation with internationalism, the forces of national preference and regional racism will grow.

## References

- 1 The Corporate Europe Observatory in Amsterdam monitors the activities of corporate lobby groups in Europe and beyond, and their influence on EU policies. Reclaim Europe is another important organisation, highlighting the influence of transnational corporations on EU policy.
- 2 At the time of writing, thirty-two extreme-Right MEPs sit in the European parliament and there are extreme-Right anti-immigrant parties in the national parliaments of Austria (Freiheitliche Partei Österreichs), Belgium (Vlaams Blok, National Front ), Denmark (Dansk Folkeparti, Frenskridtspartiet), France (Front National), Norway (Fremskrittspartiet) and Italy (Nord Liga, Alleanza Nazionale). All these parties are represented in local and/or regional government. In addition, in Germany, the neo-nazi Deutsche Volksunion is represented in the parliament of the eastern state of Saxony-Anhalt; in the Netherlands, the far-Right Centrum Democraten and the Nederlands Blok have two seats in local government; and in Sweden prior to the September '98 general election, the Sverigedemokraterna was also represented in local government with five seats.
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- 10 *Rapport 1998: Panorama des acts racistes et de l'extrémisme de droite en Europe*. (CRIDA, Centre de Recherche d'Information et de Documentation Antiraciste, 1998).
- 11 John Hooper, *Observer* (12 May 96), is dismissive of claims for Padanian nationality. According to him, Bossi has provided his movement with a common mythology by sprinkling an eclectic assortment of cultural references over a wafer-thin basis of historical fact. 'Maybe it is post-modern nationalism?'
- 12 *Guardian* (15 September 1996), *Observer* (12 May 1998).
- 13 'Little countries: small but perfectly formed'. *Economist* (3 January 1998).
- 14 *Guardian* (11.15 September 1996).
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- 18 *ERA* (No. 28, September 1998).

# Structures of Power and Inequality

This issue has a dual, but related focus: structural forces in the form of dominance based on race and gender within the U.S. and the integrative mechanisms operating at the hemispheric and global levels that reproduce global poverty and North-South disparities. This ensemble of forces conditions the tasks facing communities of resistance. In a period of apparent setbacks, contributors to this issue offer glimmers of hope and modest policy proposals that could help advance an agenda for promoting racial equality, reducing interethnic conflict and violence against women, and beginning to visualize a notion of civil society at a hemispheric level.

ANTHONY M. PLATT: *"The Land That Never Has Been Yet": U.S. Race Relations at the Crossroads*

MARGO OKAZAWA-REY & MARSHALL WONG: *Organizing in Communities of Color: Addressing Inter-Ethnic Conflicts*

MARK KOETTING & VINCENT SCHIRALDI: *Singapore West: The Incarceration of 200,000 Californians*

NEIL WEBSDALE & BYRON JOHNSON: *Reducing Woman Battering: The Role of Structural Approaches*

JOAN HOFFMAN: *Macroeconomic Indicators & New York City Women's Drug Arrests*

WILLIAM FELICE: *The Copenhagen Summit: A Victory for the World Bank?*

ANDRE C. DRAINVILLE: *Continental Integration & Civil Society in the Americas*

CATHERINE CONNOLLY & JULIE TENNANT-BURT: *The NAFTA Agreement & U.S. Labor Discrimination*

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## **Social Justice**

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# The level playing field: Hansonism, globalisation, racism

'Free Trade is Jesus Christ and Jesus Christ is Free Trade', proclaimed a Victorian bureaucrat, Sir John Bowrigg, in 1855.<sup>1</sup> These days, the proponents of free trade are, it would appear, far less exclusive in their credos; the contemporary patron deities of global trade make up a determinedly pluralist pantheon. From the United Colours of Benetton to IBM's subtitled commercials of rustic Italian convents and serene Tibetan monasteries, multinationals have gathered multiculturalism – or at least its most obvious symbols and signifiers – into their mighty embrace.

This is a seemingly contradictory phenomenon, by which the very forces that seek to override national and cultural boundaries simultaneously promote the pleasures (and profits) of local difference. In *Eco-feminism*, Maria Mies and Vandana Shiva cast some light on this strange embrace, arguing that within globalising economies:

Local cultures are deemed to have 'value' only when they have been fragmented and these fragments transformed into saleable goods for a world market. Only when food becomes 'ethnic food', music, 'ethnic music', and traditional tales, folklore, and when skills are harnessed to the production of 'ethnic' objects for the tourist industry, can the capital accumulation process benefit from these local cultures.

While local cultures are thus dissected and their fragments commodified, these atomized parts are then re-unified in the global

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supermarket, thereby procuring a standardization and homogenization of all cultural diversity. Cultural relativism is not only unaware of these processes but rather legitimizes them.<sup>2</sup>

The commodification of 'ethnic' cultures in the 'global supermarket' both informs and is informed by the ways in which minoritised racial and ethnic groups are organised and managed within individual states. It can be argued that the quantifiable economic benefits attached to 'cultural diversity' have played a role in supplanting older policies designed to assimilate minorities into a homogenised nation state; in this sense they may be said to have allowed a space for the assertion of hitherto prohibited rights and identities in societies newly recognised as 'multicultural'.<sup>3</sup> This new space, however, is, by the very conditions of its possibility, a highly restricted one, circumscribed by the demands and pressures of a state whose institutions and power structure remain overwhelmingly monocultural.

Attempts by racial and ethnic minorities to exert control over their cultural resources soon reveal the limits of multiculturalism in the officially multicultural state. Demands from within this space for autonomy over cultural resources and products can be immediately delegitimised by the invocation of 'wider', collective, national or even universal interests. As the land, cultural and natural resources, identities and even genetic material of indigenous peoples become ever more desirable properties in the economy of globalisation, for example, the interests of 'science', 'national development' 'progress' or 'humanity' are invoked to deny or overwrite their ownership. As Mies and Shiva again point out, these appeals to transcend 'local' minoritised racial and ethnic bodies and identities in the 'wider' interest are only camouflage for the narrowness of the dominant local interest:

In the dominant discourse the 'global' is the political space in which the dominant local seeks global control, and frees itself of any local and national control. But, contrary to what it suggests, the global does not represent universal human interest but a particular local and parochial interest which has been globalized through its reach and control... In this decisionmaking, the communities who pay the real price... have no control.<sup>4</sup>

Subjected to constant demands to transcend or override their racial and ethnic identities in the 'wider' interest, the 'communities who pay the real price' confront a simultaneous commodification and erasure of their cultural resources. It is in the context of the simultaneous erasure and reification of racial and ethnic difference in the discourse of globalisation that this essay situates the recent rise of racist politics in Australia.

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With close to a quarter of the vote in the June 1998 state government election in Queensland going to the extremist One Nation Party, racism may be said to have now acquired an unprecedented level of legitimacy in Australian politics. Pauline Hanson's One Nation Ltd., to give the party its full name, campaigned on a platform of economic protectionism and the abolition of multiculturalism,<sup>5</sup> native title rights, and the Anti-Discrimination Act, thus openly linking opposition to globalisation with an agenda of, in effect, racial discrimination. Two of Hanson's most publicised speeches were her attacks on the Multilateral Agreement on Investment (MAI) and the recent, non-binding UN Draft Declaration on Indigenous Rights. Hanson used virtually identical language to denounce these two very different documents – the one enhancing the reach of multinational corporations by prohibiting 'discrimination' between foreign and national forms of investment, the other attempting to provide minimal support for indigenous peoples who remain the most marginalised and discriminated-against section of any population. In Hansonism's skewed vision, both these moves represented a renunciation of Australians' autonomy to sinister outside forces.

The explicit linkage between opposition to minority rights and to globalisation in Hanson's platform forced the country's two major parties, virtually indistinguishable in their commitment to globalising the economy, into feats of contortionism designed both to distance themselves from Hanson and simultaneously to appeal to some of her supporters. In this context, the adoption of an anti-racist position occasionally served as both a decoy and a surrogate for attacks on Hanson's economic views. Unlike the 1996 general election in which racism remained largely implicit, pitched, as one analyst put it, at the subliminal level of a dog whistle,<sup>6</sup> in the 1998 state election, 'race' became the issue through which all other questions were addressed and filtered, thus serving to divert and distort the focus in particular ways.

Desperate acrobatics on the policy front were especially evident in the case of the Liberal/National government, which shares much of One Nation's hostility to multiculturalism and indigenous rights, but is utterly committed to an economic programme of privatisation, competition and joining the big boys on the fabled global playing field. Thus, we had the curious spectacle of the prime minister, John Howard, who on previous occasions has himself denounced the UN's human rights initiatives, describing as almost 'deranged' Hanson's attack on the UN charter on indigenous rights. Simultaneously, as the traditional party of 'the bush', the government's strategy for dealing with Hanson's appeal was to target Aboriginal land rights and native title claims as creating 'uncertainty' for farmers. Hoping to appease Hanson's large level of support among rural voters and to divert attention from its own economic policies (which have caused an erosion of services, including

the closure of country schools, hospitals and banks), the government refused to join with the Labor opposition in placing One Nation candidates last on its how-to-vote cards. These confused tactics, however, failed spectacularly to win votes for the National/Liberal coalition.

The Labor party, equally committed to an agenda of deregulation and economic rationalism while in office, has become in opposition more critical of some of the effects of these policies: mass privatisation, union busting in the interests of 'productivity' and 'world's best practice', and the rapid decline of services to country towns. During the election, Labor laid claim to what it persistently described as 'the moral high ground' by openly attacking the racism of Hanson's platform. Having fallen one seat short of a majority in parliament (partly because of Liberal/National preferences going to One Nation), Labor has now assumed government in the state of Queensland with the support of an independent member.

One Nation's success – the party, incorporated little over a year ago, ended up with thirteen new members in the Queensland parliament – has given rise to a range of commentary that raises questions both about Australian politics and, more generally, the relations between racism, economic protectionism and globalisation. After the election, much of the media analysis, following the lead set by One Nation's own self-representations, has tended to play down its racist platform and focus instead on economic issues. The most common interpretation of the election result is that it represents a 'cry of pain from the bush', buffeted as it has been in recent years by the effects of economic deregulation and globalisation. In response, the analysis goes, 'the bush' has simply turned on the most visible targets – who just happen to be 'Asians' and 'Aborigines'. This consoling explanation of an almost incidental racism, as a by-product rather than a constitutive element of One Nation's platform, is however complicated by those who see a connection between opposition to globalisation and support for a nationalist (and thus at least potentially if not implicitly chauvinist and anti-minority) agenda. A recent column in the *Age* newspaper, by the left-of-centre Kenneth Davidson, carried the plaintive headline, 'It's come to this: only Hanson defends the nation state', while a recent letter to the editor from the chairperson of one of the local ethnic communities councils (an organisation for representatives of various ethnic groups) urged the return to more interventionist economic policies, on the grounds that racism against ethnic and racial minorities was the logical consequence of globalisation.

What is the nature of the relationship between anti-globalisation and pro-racist positions? And how is this relationship demonstrated by the success of Hansonism in Australia? Any answers to these questions need to recognise the tensions and contradictions that are historically

constitutive of the process of globalisation, intimately interrelated as it is with the discourses of liberalism and free trade.<sup>7</sup> Shortly after the extent of support for Hanson in the Queensland election became known, and while prime minister Howard remained characteristically silent about the startling success of One Nation, two significant sources voiced their strong opposition to these developments. The first was a spokesperson for Citibank, warning that the adoption of Hansonism could damage Australia's economic standing worldwide; the other was Jeff Kennett, the premier of the State of Victoria – one of the most determined advocates of privatisation and economic rationalism in Australia. He was soon followed by the federal treasurer and deputy Liberal leader, Peter Costello, another notorious economic 'dry', who went so far as to say that the principle of opposition to Hansonism must be upheld, even if it cost his party the general election. The staunchly anti-racist sentiments expressed by Kennett and Costello have been received with surprise by many commentators on the 'progressive' side of politics, who have expressed disbelief at finding themselves in agreement with two of Australia's most aggressive economic rationalists.

Any simple understanding of a necessary relationship between the rise of racism and the consequences of rapid globalisation is complicated by the example of Victoria, the state of both Kennett and Costello, where polls reveal that Hansonism so far has gained the least ground, *despite* the all-too-evident consequences of the state government's relentless pursuit of economic deregulation. In this sense, Victoria may indeed present a satisfying instance where unambiguously anti-racist leadership by the state premier has encouraged popular anger to target, not racial and ethnic minorities, but his policies of globalisation and deregulation themselves.

\* \* \*

To posit some simple form of the equation Hansonism = anti-globalisation = pro-racism is to ignore the extent to which Hansonism itself is also implicated in, and indebted to, the processes and discourses of globalisation; simultaneously, this equation misses the marked ambiguities within the processes and discourses of globalisation themselves towards issues of multiculturalism and racial/ethnic differences. Toni Morrison has forcefully asserted that anxieties of race and belonging provide an underlying continuity to, and are in fact constitutive of, modernity's seemingly opposed discourses of globalism, nationalism and transnationalism:

The overweening, defining event of the modern world is the mass movement of raced populations, beginning with the largest forced transfer of people in the history of the world: slavery... The contemporary world's work has become policing, halting, forming policy

regarding, and trying to administer the movement of people. Nationhood – the very definition of citizenship – is constantly being demarcated and redemarcated in response to exiles, refugees, *Garstarbeiter*, immigrants, migrations, the displaced, the fleeing, and the besieged. The anxiety of belonging is entombed within the central metaphors in the discourse on globalism, transnationalism, nationalism, the break-up of federations, the rescheduling of alliances, and the fictions of sovereignty. Yet these figurations of nationhood and identity are frequently as raced themselves as the originating racial house that defined them.<sup>8</sup>

The nature and extent of Hansonism's indebtedness to and implication in globalisation can be explored on a number of levels. At the level of marketing, One Nation's self-representations of itself as the party of the 'little Aussie Battler', of outback and country towns against urban and international 'elites', of impoverished farmers and struggling small businesses against corporations and multinationals, have passed mostly unchallenged. Yet a recent memoir by Hanson's former adviser, the self-styled 'dewog' John Pasquarelli, reveals that this is a carefully crafted strategy targeting a niche market ready to consume artefacts and images of 'the battler' and 'the bush'. For example, Pasquarelli credits himself with the inspiration of casting Hanson as a 'fish and chip shop lady', rather than the owner of a 'seafood take-away', as she would have preferred to describe it. It was, as he notes, a stroke of marketing genius that gave his then employer a priceless aura of true-blue Aussie authenticity.

Just as the image of Hanson as the quintessential 'fish and chip shop lady' and struggling single mother are belied by information about her financial status and the extent of her landholdings,<sup>9</sup> One Nation's claims to represent humble, smalltown Australia are belied by its corporate structure and highly compartmentalised and regulated organisation.<sup>10</sup> Currently it is composed of two tightly controlled institutions, Pauline Hanson's One Nation Ltd. and Members of Pauline Hanson's One Nation inc., the former a private company run by three directors, at least one of whom receives a commission from fund-raising proceeds. This director is a former fund-raiser for World Vision, a major player in the international aid industry; another is a former Liberal Party candidate for the Sydneyside seat of Manly, hardly the rural heartland of Australia. In spite of its grassroots image, One Nation displayed a mastery of sophisticated communications, marketing and fund-raising techniques in the recent state elections.

One Nation's contradictory positioning is perhaps most evident in the way it feeds upon and appropriates the discourse of globalisation, even while simultaneously decrying it. An obvious, if so far unremarked, example is its adoption of the language of equality and 'the level playing



field' in its policies on race and ethnicity. In *economic* terms Hansonism might oppose the attempt to create a 'level playing field', demanding a return to tariffs and protectionism for country industries because of the special circumstances of Australia's non-urban population. Yet Hanson's policies on racial and ethnic minorities rely precisely on the concept of a 'level playing field' in *racial* terms, arguing that multiculturalism and special programmes for Aboriginal Australians should be abolished because 'all Australians' must be treated 'equally'.

The incompatibility of this demand for a 'colour blind' racial 'level playing field' with complaints against the unjust and inequitable notion of an economic 'level playing field' is part of the contradiction of Hansonism. Here Morrison's insight, that within the discourses of both globalisation and nationalism are 'entombed' metaphors of the 'anxiety of belonging', becomes powerfully relevant. Rather than challenging the thrust of globalisation, Hansonism parallels it, advocating the erasure of ethnic and racial specificity in the interests of a 'wider', 'Australian' one. At the same time, however (and akin to the global market's insatiable demand for ever more specialised ethnic products), it obsessively invokes, calls upon and (re)produces racial/ethnic differences in order to promote and consolidate its own identity. To the extent that this identity constructs a fortress Australia besieged by marauding Aborigines within and encroaching Asians without, Hansonism also represents, not a marginalised and bruised rural Australia swinging out wildly at any random target, but a continuation of the white supremacist ideologies that have dominated domestic and foreign policy since colonisation. Only, these are now able to mobilise a new vocabulary that battens simultaneously on globalisation, nationalism and liberalism.

The real success of Hansonism, and its most frightening characteristic, is this ability to enlist a range of discourses and representations that resonate with Anglo-Australia's historical as well as current anxieties. In this aspect as well, it has learned the lessons of the global market, atomising and reifying the languages of protest, marginalisation and egalitarianism to promote its very different platform of *ressentiment*. Writing on Hansonism in the South African journal *Argus*, William Makgoba is quoted as saying that 'the most profound differences between old and new racial language is that the latter operates by selectively drawing upon and reworking liberal and egalitarian principles for illiberal ends... By repackaging the language and ideals of liberalism, new racists... promote instability, social disharmony and lack of focus.'<sup>11</sup>

As Stuart Hall has pointed out of similar movements in Europe and the US, the 'retreat into the bunker of cultural and racist nationalism' is quick to assume 'respectable forms' which exempt it from having to 'recognize itself as such', appearing rather as

a defence of 'Englishness,' of 'Britishness,' and of 'Americanness.' How could anybody object to Americans, or some Americans, defending a certain kind of 'Americanness'? Who could argue against the possible claim that American children might not speak 'the American language' first in American schools, and what is racist about that, what could possibly be racist about that?'<sup>12</sup>

Having literally wrapped herself in the Australian flag for her publicity photographs, Hanson proclaims over and over again her love for the country and her aspiration to be 'the mother of Australia'. There flows from this her 'natural' maternal desire, like 'any' mother, to see 'all Australians treated equally' and her abhorrence of 'special treatment' for any one group. 'And what is racist about that, what could possibly be racist about that?'

In the months since the Queensland election and in the lead-up to the general election of October 1998, much of One Nation's publicity has focused on the gendered nature of Hanson's appeal. While Hanson casts herself as the tough-but-fair Mum that every Australian needs, other representations have cast her as everything from Marilyn Monroe to a working-class Princess Diana.<sup>13</sup> A photograph of Hanson scooped up in the arms of a large, bearded supporter after the triumphant Queensland poll has been endlessly reproduced. Popular academics and media commentators have fallen over one another to offer analyses of Hanson's sexiness, describing her in one instance as a shot of 'Viagra in the bush'.<sup>14</sup> One Nation's subtle but effective manipulation of public curiosity about Hanson's gender and sexuality is yet another instance of its ability to target and repackage identities and representations, by tapping into a range of popular images and discourses.

This ability to reconfigure and rearrange identities, to select and promote isolated elements in decontextualised ways, again suggests Hansonism's indebtedness to the processes and products of globalisation. As John Gabriel has pointed out, throughout the 1990s white pride movements have capitalised on the conditions created by globalisation, even as they decry a world in which, they claim, whiteness is increasingly under siege:

Far from eroding whiteness, new global conditions, including the rapid expansion of telecommunications, economic restructuring, class and political fragmentation and what has been described as a crisis of national identity, have all assisted the reconfiguration of global white identities. Globalisation has also provided opportunities, in the shape of the Internet, for organisations and parties of the 'far right' to collaborate across North America and Europe and to merchandise their products worldwide.<sup>15</sup>

Indeed, the growth of Hansonism in Australia is inseparable from the

development of white pride movements elsewhere in the West; its rhetoric is sometimes absurdly reliant on these sources.<sup>16</sup> In this sense, the Anglo-Australian identity so central to the platform of Hansonism is produced, promoted and reinforced by the process of globalisation, rather than being eroded or threatened by it.

The general election campaign of 1998 (currently underway at the time of writing) offers ample evidence of the ways in which the emergence of Hansonism has shifted the entire political agenda in Australia towards a reaffirmation of Anglo-Australia at the expense of indigenous self-determination and land rights, and of multicultural policies, and has created a climate of hostility towards racial and ethnic minorities. Whatever the outcome of the election, it is clear that, for those of us wanting to challenge the ongoing effects of Hansonism, some critical work to be done is a detailed examination of how it simultaneously feeds upon, reworks and reinforces the effects and aims of globalisation in the process of appropriating and repackaging the vocabulary of both liberalism and nationalism. An examination of Hansonism's ideological collusion and collaboration with (rather than its rhetoric of opposition to) the discourse of globalisation would reveal, not its much-vaunted 'difference' from 'mainstream' political parties, but the extent of its continuities with them.

## References

Thanks to Joseph Pugliese for his contribution to this essay.

- 1 Quoted in Benedict Anderson, 'Murder and progress in modern Siam', *New Left Review* (No. 181, 1990), pp. 34-5.
- 2 Maria Mies and Vandana Shiva, *Ecofeminism*, (Spinifex, 1993), p. 12.
- 3 An example is the document on 'Productive diversity' produced by the Office of Multicultural Affairs under the previous Keating Labor government: 'In a world where every competitive advantage must be fully exploited, productive diversity – utilizing Australia's linguistic and cultural diversity to economic benefit – offers a practical resource which no organization...can afford to ignore...in order to... increase access to export markets, develop domestic niche markets, improve productivity'. (Office of Multicultural Affairs, 'What is productive diversity?', April 1995). Here multiculturalism is shown to be thoroughly structured by the contradictions generated by the idealised and coercively assimilative demands of a homogeneous nation state ('Australia') and the law of the market, in which 'diversity' is scripted as a commodified resource which will offer the nation the commercial edge.
- 4 *Ecofeminism*, op. cit., p. 9.
- 5 In Australia, multiculturalism refers specifically to a cluster of government policies introduced by Labor and Liberal governments in the 1970s, and represented as opposing the previous policy of assimilating racial and ethnic minorities. Hanson's objections to 'multiculturalism' focus on its most innocuous manifestations – for example the appearance of shop and street signs in languages other than English. Presenting a rather alarming glimpse of her cognitive capabilities, Hanson has said that without signs in English she didn't know whether she was 'walking into a butcher or a hairdresser'.

- 6 Noel Pearson, Chair of the Cape York Land Council and member of the Indigenous Working Group on Native Title, commenting on the Liberal/National Party's campaign in the 1996 General Election. For a discussion of the 1996 campaign and its aftermath, see Suvendrini Perera and Joseph Pugliese, "'Racial suicide': the relicensing of racism in Australia", *Race & Class* (Vol. 39, no. 2, 1997), pp. 1-20.
- 7 Although, as Bernard Semmel has demonstrated, "the essentially mercantilist assumptions and objectives embodied in... "classic"... imperialism were far from absent in the thinking [that] erected the system of free trade in the last half of the eighteenth and in the first half of the nineteenth centuries", historically free trade has also encompassed both anti-imperialist and anti-racist positions. In the nineteenth century its supporters distinguished the pacifist, reformist ends of free trade, often identified with abolitionist and philanthropic interests, from the overtly expansionist aims of empire, in turn identified with the evils of monopoly capitalism. See Bernard Semmel, *The Rise of Free Trade Imperialism: classical political economy, the empire of free trade, and imperialism*, (Cambridge, Cambridge University Press, 1970), p 5.
- 8 Toni Morrison, 'Home', in Wahncema Lubiano ed. *The House that Race Built* (Pantheon, 1997), p. 10.
- 9 See discussion in "'Racial suicide'", op. cit., p. 10.
- 10 For example, members of the party are not allowed to make contact with other members and access to the membership list is tightly controlled. Rather like the shareholders in multinational corporations, members of One Nation Ltd. are not allowed to attend party meetings without giving seven days written notice.
- 11 Quoted in James Norman, 'One Nation's race for policies' *The Big Issue* (No 50, 1998), p. 6.
- 12 Stuart Hall, 'Subjects in history: making diasporic identities' in Lubiano, op. cit., p. 297.
- 13 See, for example Andrew Stevenson, 'Pauline Hanson: sex symbol', *The Daily Telegraph* (20 June 1998), pp. 26-7.
- 14 See Graham Little's review of *Two Nations*, 'She's not there', *Age* (29 August 1988).
- 15 John, Gabriel, *Whitewash: racialized politics and the media* (London, Routledge, 1998), p. 183.
- 16 For example, the brief adoption by Hanson of attacks on single mothers receiving welfare benefits. In the US context, from where it was obviously lifted wholesale, this is inescapably a raced issue; in Australia, however, it is understood to relate more to ordinary (i.e., Anglo) 'battlers'. When One Nation realised the negative impact this particular form of scapegoating was having among its target constituency, the denunciations of single mothers ceased abruptly.

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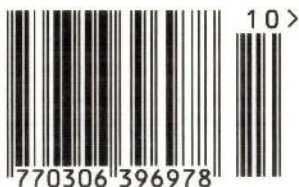
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