Globalization as Imperialism

by
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"Globalization . . . is not a serious idea. We, the Americans, invented it as a means for concealing our policy of economic penetration into other nations" (J. K. Galbraith, interview, *Folha de São Paulo*, October 2, 1997). Proclaiming that globalization implies an "epochal transformation" or that it is a "historical break" with the previous two centuries of the imperialist expansion of capitalism is at best a naive foolishness produced by a lack of historical information and analytical ability. At worst it amounts to acceptance of the ideological distortions of those who have promoted and benefited from the current mode of this expansion. But pretending that nothing has changed since the days of Lenin and Hilferding or since Bretton Woods reveals an equivalent incapacity for analysis and ideological dogmatism. If the first case is failing to see the forest for the trees, then the second is failing to see the diversity of the trees for the forest.

Considered from a historical perspective, globalization is the present stage of economic imperialism. In accordance with the definition formulated by Hilferding and Lenin at the beginning of the twentieth century, imperialism is a set of basic characteristics: the development of monopoly capital, the emergence of finance capital through the fusion of industrial capital and the banks, the export of investments from the center to the periphery, and interimperialist competition for the control of foreign markets. In the present circumstances, these features are exacerbated. Recent technological innovations with regard to the flow of information and immense international liquidity have favored the increased growth of finance capital and huge transnational monopoly corporations. The magnitude and rate of international investment flows have also multiplied, and the implosion of the Soviet bloc has opened new spaces for investment in underdeveloped areas. Capitalist control of the world is greater today than it has ever been, leading to the

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intensification of the stratification of international power in which the United States appears to have unquestionable hegemony.

TRANSFORMATION AND CONTINUITY

This is not to say that the difference between today's "globalized" imperialism and the one that inspired the classic studies is simply one of magnitude and rate. In the 1970s, a number of studies demonstrated that the structure and processes of the imperialist system had undergone important modification. The Bretton Woods system made some of the features emphasized at the beginning of the twentieth century obsolete while, at the same time, introducing new elements: multilateral financial organizations, transnational corporations, markets for financial speculation. Also, the Leninist "model" of imperialism, taking Germany as its principal example, overlooked the British and U.S. variants, which were much more relevant for Latin America (e.g., Wilber, 1973; Barratt-Brown, 1974; Smith, 1981).

The purpose of capitalist expansion remains the same—increasing the profitability of investments—but the methods, means, and instruments need to be adapted to changing historical circumstances. Differentiating between objectives (accumulation and profitability), on one hand, and instruments and styles, on the other, avoids the error of limiting the multiply recurring process of globalization to the past two or three decades. Also, focusing on globalization as a characteristic of capital's dynamic allows one to recognize it as essentially conflictive and exploitative in nature. In any case, although the variety of styles and instruments is not irrelevant, no analysis should overlook the objectives that orient and subordinate it.

In general, the advances in the international expansion of capital can be interpreted as a response to excess capital accumulation in the metropolis and the resulting tendency toward declining profitability of investment. This expansion is favored by three main factors: (1) the introduction of new technologies, (2) the great liquidity existing in the economy, and (3) decisive state intervention.

1. The introduction of new technologies is a response to the necessity of reducing production costs per unit, gaining a temporary advantage over competitors almost solely through technological rents and strengthening of the negotiating position vis-à-vis the labor force. Globalization's advance during the period from 1870 to 1930 benefited from the development of new steel alloys that permitted the construction of lighter and swifter ships of greater tonnage, thus increasing the movement of people, goods, and international trade. This in turn increased the competition for vast overseas territories in

order to control primary resources and open up new markets. Also, electric energy successfully competed against steam power; there were major advances in new techniques and procedures for conserving foodstuffs; the telegraph and railroads cut down on travel time and facilitated the rapid transmission of information; new organizational techniques for industrial work contributed to large-scale production. This set of transformations, stimulated by the necessities of accumulation, permitted the geographical expansion and deepening of national and international capital. The telegraph and the application of electrical energy to the production process had an impact similar to that of today's Internet. Capital investment from the metropolis distorted the economic infrastructure of the overseas territories. The channeling of productive investments through the bond market increased finance capital exponentially. This system reached its highest level of growth in the 1920s, when financial speculation on a transnational scale reached levels comparable only to those of our days.

2. Only liquid capital can be transferred from one location to another. Consequently, the acceleration of globalization is associated with increased international liquidity (Chesnais, 1996; Ferrer, 1999). The application of new technologies to the transmission of information to the financial world has permitted an extraordinary acceleration of the circulation of capital. It is estimated that 95 percent of the operations of exchange markets, which during the mid-1990s hovered around US$1.3 billion a day (approximately US$400 billion a year), consist of the movement of funds that increase interest rates, exchange rates, and speculation on the stock market. Approximately 80 percent of transactions in those markets generate entrances and exits in installments that do not exceed seven days, which averages 50 movements per year. For every US$100 of investments in fixed assets around the world, loans reached US$6.20 in 1964 and more than US$130 at the beginning of the 1990s. (For international trade, the relations are US$7.50 and US$105, respectively, in those years.) It is also calculated that in the second half of the 1990s the value of worldwide financial transactions was 13 times that of the value of the global production of nonfinancial goods and services and almost 30 times that of the value of international trade. The extraordinary liquidity of the contemporary economy originated in the oil shocks of the 1970s, the gigantic expansion of U.S. military expenditures in Asia as a result of the Vietnam War, and the development of new instruments for financial speculation beginning with the fluctuation of exchange rates of the principal currencies.

Global finance is heavily concentrated in a small group of large operators belonging to a few of the most advanced economies. During the mid-1990s almost 80 percent of the value of the assets of pension funds belonged to U.S.

firms; more than a third of the assets of insurance companies came from the same source, while another 30 percent belonged to Japanese firms; for investment funds the participation by U.S. firms was 55 percent. U.S. firms represented more than half of the value of the financial assets of the new institutional investors; Japanese firms followed with almost 20 percent and Britain and Germany with around 10 percent. The club of international investors, then, is an extremely exclusive one (Macedo Cintra, 1999).

3. Far from being entirely a result of the dynamics of the market, the globalization of capital requires decisive state intervention on the diplomatic and the military level. The 1997 Asian crisis highlighted the intense involvement of the U.S. treasury secretary and the International Monetary Fund (IMF) in the design of the policies favoring an increased opening to U.S. corporations that were adopted by the region's governments (e.g., Wade and Veneroso, 1998; Cox and Skidmore-Hess, 1999). Without abandoning their antistatist rhetoric and declarations of globalism, transnational corporations do not hesitate to avail themselves of the services of their respective states—diplomatic pressure, appeals to the World Trade Organization (WTO), or military or industrial espionage—when they are confronted by problems with the governments of the countries in which their branches operate.[1]

As a result, globalization transforms the marketplace into the universal mechanism for economic regulation and accentuates and complicates international and internal inequalities. Between 1980 and 1997 the group of countries that the World Bank considers the most developed, in which a sixth of the world's population lives, increased its portion of world production from 70 percent to 79 percent, while those considered at a medium level of development reduced theirs from 23 percent to 18 percent and the poorest nations reduced their share from 7 percent to 3 percent (World Bank, 1990; 2000). During this same period, the gross domestic product (GDP) per inhabitant increased worldwide but at extremely different rates. While in 1980 the average gross national product (GNP) per inhabitant in the developed world was 11 times the average for the rest of the world and 30 times that for the poorest nations, in 1997 it had increased to 20 times that of the rest of the world and more than 62 times the average for low-income nations. Around the same time, between two-thirds and three-fourths of the global value of world trade and direct foreign investment was processed among the most developed nations (according to the World Bank's classification).

One observes a similar situation within countries, where this type of globalization is associated with increased levels of social polarization and fragmentation. In the mid-1990s, households in the top 10 percent of the income pyramid of Latin America and the Caribbean concentrated almost 40 percent of total income. At the same time, the poorest 40 percent collected less than

12 percent of the average national income and the poorest 10 percent barely 1.4 percent (in Brazil 0.8 percent and in Guatemala 0.6 percent) (World Bank, 2000). The breakdown of economic and social integration can also be observed in the increasing autonomy of these groups with regard to the total economic performance of the societies in which they operate. An illustrative case is that of the independence of the top business firms' cycle of economic activity in relation to the growth of the nation's economic-activity level. In 1995, the year of the so-called tequila effect, when the GDP fell by 3 percent, the total sales of the 200 largest Argentine firms increased by 11.3 percent with respect to 1994, in which the GDP grew by barely 6 percent and total earnings increased by almost 30 percent (Azpiazu, 1998).[2] These firms' relations with the state and articulation with transnational networks of decision making allow for the weaving of power relations in which they strongly influence the economic performance of the nation, which does not have the same capability of interfering in the results they obtain. To the typical spectacle of underdeveloped capitalism—prosperous businessmen at the head of bankrupt companies—one can now add globalized capitalism's innovation—wealthy firms operating in beggar nations.

One sees an increase in the indicators of unemployment, poverty, and inequality in the majority of economies, developed as well as developing or underdeveloped. During the past two decades the concentration of property and income has increased in the North as well as in the South, creating social tension, insecurity, and anxiety. The well-to-do in underdeveloped countries mimic the lifestyles of the elites of the developed world, while important segments of the population of advanced nations slip into poverty and insecurity in many ways equivalent to that of their peers in underdeveloped nations. The variation of the phenomenology of these processes should not create any confusion regarding their homology.

In recent years the demands of competition have stimulated a far-reaching and aggressive wave of acquisitions and mergers that have led to unprecedented levels of capitalist centralization and concentration, especially in the areas most closely linked to "cutting-edge" technologies and finance capital. The transfer of surpluses from peripheral economies not only continued but also increased, independently of the rhetoric presenting globalization in terms of cooperation and interdependence. According to a recent study, the net transfer of financial surpluses from the periphery to the center of the system tripled from the 1972–1976 period to the 1992–1995 period (González Casanova, 1998).[3] Also, one can contradict those who argue that the concepts of "center" and "periphery" are anachronistic because of transnational capital's own unfolding by maintaining that the geographical decentralization of plants, working in networks, and the decentralization of operating decisions all occur through strategic decisions taken by corporations headquartered in particular countries. Furthermore, their headquarters contain the majority of the resources and processes required for scientific-technical development (Doremus et al., 1998; Guedes, 2000).

POLITICS, FINANCE, AND IDEOLOGY

The widespread and growing system of nation-states—in 1991 the United Nations had 143 members, and now it has more than 200—and the limitations imposed by the international juridical order on military solutions to conflicts and unilateral military interventions mean that the indirect control of peripheral states is much more important than in the past. In these societies the state fulfills a double role: one with respect to the national socioeconomic dynamic and the other in relationship to external, regional, and international articulations. In the scenario created by the UN system, a set of processes and national institutions, along with multilateral organizations, assumes strategic importance for the domestication and control of peripheral states.

In the first place are the severe conditions imposed by the multilateral financial organizations, in which the United States has demonstrated its capacity for imposing its own criteria regarding the international political economy, even going against other developed countries, the IMF, and the World Bank. This is possibly one of the most distinctive characteristics that was consolidated in the period of imperialist development after World War II. Especially since the 1980s these organizations have had a strategic responsibility for the design of the economic and social policies of the peripheral states, and their recipes have extended into the field of institutional reform. Recently, the WTO has been transformed into a strategic instrument for the imposition of free-trade policies around the world. In the second place is the academic formation of the cast of technocrats and intellectuals from the peripheral world that occupy positions of power. They will become the mouthpieces of the multilateral organizations and the executors of the policies they design and recommend. During the 1960s and 1970s, training in the School of the Americas or at Fort Gulick was an important part of the curriculum for the Latin American military officers who subsequently participated in the military regimes that laid the groundwork for the current macroeconomic reforms. Postgraduate work in some U.S. universities plays a similar role. Once in government, these functionaries drive the strategies and policies that facilitate the diffusion of transnational capital. In the third place is the dissemination of the most visible aspects of U.S. culture through the mass media, in particular those that transmit images, television and, most recently, the Internet (see Ford, 1999). The influence of the U.S. university system on the intellectual elites is accompanied and consolidated by the promotion of the values of U.S. society to broad sectors of the population in societies lacking the structural prerequisites to achieve those standards.

Asserting that an imperialist structure in the economy and international politics persists does not mean (and did not mean a century ago) that the wealth of the central economies depends on the transnational projection of the corporations. The metropolitan economies continue to constitute the fundamental reference point for global capital. The favorite examples for the hypothesis of a "world without borders" are the exporting showcases of Southeast Asia, especially Singapore and Hong Kong. Nevertheless, in the combined economies of the Group of 7 (Japan, the United States, France, Italy, Germany, Britain, and Canada), foreign trade represented on the average a little more than 26 percent of national production in 1990 and less than 25 percent in 1994. This means that on average three of every four dollars produced are bought, sold, consumed, or invested in the country where they are produced. In 1995, 75 percent of sales of the large German manufacturing firms were made on German territory; for Britain the percentage was 65 percent and for the United States 79 percent. In 1993, 97 percent of fixed-capital investments of Japanese manufacturing firms occurred within the country (Vilas, 1999).

This does not mean that transnational expansion is irrelevant for the central economies. The contribution of transnational operations to a firm's profitability depends on the company, but it is always an important factor even if it is not proportional to the impact of these operations on the metropolitan economy.[4] The significance of foreign undertakings sometimes lies in the control of activities and resources that are considered strategic, and it may also include preserving or consolidating the dissemination of predetermined styles of thought, consumption patterns, and collective behavior. As with all relations of domination, evaluating its returns cannot be reduced to only one of its dimensions. That no exact correlation exists between what one group wins and what another loses or fails to win in economic or financial terms does not reduce the strategic value of the power relation that keeps them together with one dominating the other and, possibly, worsening the situation of the periphery.

In the past, a variety of social and political struggles with strong nationalist overtones confronted imperialist expansion. From the 1920s to the 1940s, the internationalism of the Soviet-inspired communist parties consisted, in reality, in accepting the line of the Soviet Union's foreign policy. In contrast, the actual circumstances of globalization have created conditions for the development of a broad spectrum of social mobilizations that transcend national borders. In particular, the development of telecommunications has permitted a significant articulation going beyond borders by groups and organizations that confront the most destructive aspects of the globalization of capital: the destruction of the environment, the violation of human rights, the degradation of workers' rights in sweatshops, the violation of the rights of immigrant workers, and so forth. Still, without falling into naiveté or wishful thinking, it is evident that with numerous difficulties there is emerging a growing globalization of social and popular struggles against capital's globalization that I have called the "globalization of the ideal of justice" (Vilas, 1994). The political effectiveness of these mobilizations, that is, their capacity to transform and eventually destroy the present structure of imperialist power, still hangs in the balance. Meanwhile, these expressions of global social protest have become an unavoidable ingredient of any analysis of the present stage of imperialism.

NOTES

1. For example, in July 1995 the *Los Angeles Times* reported that President Bill Clinton had ordered the CIA to make economic and commercial espionage its "highest priority." The new intelligence targets are Japan, Germany, France, and other members of the European Union. According to the *Times*, the CIA provided information to the White House during the trade conflict with Japan regarding the import of Japanese cars into the U.S. market, reporting on the secret positions of U.S. economic rivals regarding the matter. To achieve this, it secretly recorded telephone conversations between Japanese businessmen and public officials and subsequently informed the trade representative Mickey Kantor. This was not an isolated operation: Ron Brown, the U.S. secretary of commerce, recognized the importance of the CIA's services in promoting the commercial interests of his country internationally (Vilas, 1997).

2. A similar situation is observed in Mexico (see Morera Camacho, 1998).

3. The transfer of the servicing of the external debt, net unilateral transfers, the effect of the exchange rate, net remittance of profits, and other short-term capital not included in the preceding entries, errors, and omissions were taken into consideration. The "periphery" was composed of 41 African countries, 23 Asian countries, 9 Central and Eastern European countries, 10 Middle Eastern countries, and 32 Latin American and Caribbean countries. The "center" was the Organization for Economic Cooperation and Development (OECD).

4. For example, the contribution of the Central American plantations to the profitability of the United Fruit Company and the Standard Fruit Company was important without its affecting the limited relevance that the banana trade had for the overall U.S. economy. The importance of the United Fruit Company in the Central American policy of the United States during the 1950s derived not from the enthusiasm that U.S. citizens had for bananas but from the fact that the Dulles brothers, principal shareholders in the company, were prominent government officials (John F. being secretary of state and Allen director of the CIA).

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