GLOBALISATION AND THE THIRD WORLD

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False theory

The theorists of globalisation are in disarray. For a decade they argued that the world economy had changed fundamentally. They described a system integrated by the market and driven by capitalist energies which would deliver growth and unprecedented prosperity. A 'global era' of free flowing capital was to open up new opportunities for humanity as a whole, affecting economic structures and political, social and cultural life. One assessment saw this approach as so significant that it had become 'a key idea by which we understand the transition of human society into the third millennium'.

The globalisers predicted rapid development of Africa, Asia and Latin America, even arguing that divisions between 'developed' and 'developing' nations, 'First' and 'Third' worlds, would become less significant and eventually meaningless. In the face of renewed economic crisis, however, and of stark evidence of deepening inequalities and the immiseration of vast numbers of people, 'globetalk' has become less strident. For one economic journalist writing in the wake of the South East Asian crisis of 1997, the model of globalisation 'has been recalled by the makers'.

Globalisation theory maintains that all must benefit from recent changes. The Economist, house magazine of the global free marketeers, maintains that the world system now delivers 'more for all' and that vigorous growth in the Third World means 'it is the world's poor who will benefit most'. Every index of economic and social advance, however, suggests otherwise. Among most of the 4.4 billion people living in Africa, Asia and Latin America life has become a more desperate struggle for survival. The United Nations Development Programme (UNDP) estimates that 840 million people are malnourished, the great mass of them living in countries of the Third World. More than half the countries for which statistics are available do not have enough food to provide all their population with the minimum daily requirement of calories.

In some regions hunger has become far more general: across Africa the average household now consumes 25 percent less than in the early 1970s. Between 1995 and 1997 only 21 out of 147 Third World countries recorded per capita growth of over 3 percent a year--the rate specified by the UN for reduction of poverty. There are staggering inequalities. California alone has a gross domestic product (GDP) of equal value to that of China and India combined; the wealth of the world's 15 richest people now exceeds the combined GDP of sub-Saharan Africa; the wealth of the richest 84 individuals exceeds the GDP of China, with its 1.2 billion inhabitants. There is no evidence to suggest that the 'global era' has brought prosperity, or even an alleviation of human suffering. On the contrary, even the conservative UNDP concludes that the picture is of 'a backlog of shortfalls and gaping inequalities'.

In fact, such tendencies have been evident for years without troubling the partisans of globalism. Only the spectre of world recession has caused them to question aspects of the theory. Tracing this development during the 1997 financial meltdown, The Guardian noted that 'the great edifice, globalisation, had sprung a leak, but the problem was minor, mere running repairs.' A year later, it suggested, things looked different: 'No longer is it a case of damp in the attic: whole rooms are deep in rising flood waters...nobody knows for sure which country will be next...' Responding to the mood of panic, Samuel Brittan of the Financial Times felt compelled to write a nervous defence of world financial institutions under the title 'Who's Afraid of Globalisation?'

But if the standard model of globalisation has been 'recalled', so far it has merely been to modify the theory. For its partisans to reject the whole concept is almost unthinkable. Since the rise of neo-liberal economic theories in the late 1970s, notions of an expanding free market energised by unfettered capital movement have dominated approaches to the world economy and to development theory. Complemented
by the idea of a 'New World Order' in which, after the death of 'Communism', capitalism advances under US guidance, globalisation theory has become a celebration of liberal capitalism. In the words of Yukuta Kosai of the Japan Centre for Economic Research, there has been 'a global shift' towards prosperity. To question the core assumptions underlying globalisation is to question these principles--and much of the rationale for the world system.

Capitalism involves a restless search for profit by a class prepared to mobilise all means to pursue its ends and willing to elaborate all manner of rationales for its activities. In response to the world crisis of the 1920s and 1930s, for example, its ideologues abandoned a commitment to the free market in favour of highly restrictive state-based policies which willing academics soon justified with complementary theories. Such a turn is again possible but it is proving difficult for the globalisers to abandon ideas which have been presented both as a means of understanding the world system and as the blueprint for its future. In September 1998 the British economic journalist William Keegan reported on meetings of the Group of Seven (G7, the leaders of the seven dominant capitalist states) called to discuss problems of world recession. He noted their confusion and that of international financial officials, quoting one who admitted, 'We are worried. We are talking like mad to one another. But we haven't a clue what to do'. Under such circumstances the globalisers are reluctant to abandon the orthodoxy: 'there are no signs yet of anything approaching a change of heart'.

Academics who have criticised the theory show the same reluctance to question its key principles. On the one hand, it has become fashionable to recognise the 'downside' of globalisation. In a typical recent account, Nicholson writes, 'Globalisation has done little to remedy the big discrepancies in wealth in the world and may well have done things to make it [sic] worse'. On the other hand, such 'revisionists' argue that globalisation is well under way or is accomplished, alleging that those who question the theory are unwilling to recognise changes in the world system: the expansion of market forces, the free movement of capital, and the enfeebled condition of nation states. They also stress the novelty and inevitability of these changes: for Gray, for example, 'The world historical moment we call globalisation has momentum that is inexorable'.

In fact, the globalisation thesis as a whole is suspect. Investigation of the world economy today reveals a situation plainly at odds with the globalisers' main principles. Although some areas of the world economy show evidence of more fluid capital movement, some do not. Although, in one sense, there has been integration--nowhere is immune from the market economy--some regions formerly central to world capitalism have been driven to its margins. Some states are weak--but only in relation to very strong states which continue to dominate world affairs. The picture is one of unevenness and of contradiction. The notion that human beings are passive in the face of relentless economic and technological change is also false--as the upheavals in South East Asia have demonstrated. But most of its partisans remain firmly attached to the notion of globalisation. Their views are so much at odds with world realities that they should not be viewed merely as misunderstandings but as ideological constructions: ideas mobilised to justify and to perpetuate relations of exploitation and to assist in containing collective responses from below.

Global market

'Utopians': Recent attempts to modify globalisation theory attempt to rescue the perspective from its radical and Marxist critics, alleging that they focus on the wrong issues. Gray, for example, argues that sceptics have attacked only 'hyper-globalisation', what he calls 'the McKinsey worldview--the view of things propagated by American business schools'. He continues:

No one except a few Utopians in the business community expects the world to become a true single market, in which nation states have withered away and been supplanted by homeless multinational corporations. Such an expectation is a chimera of the corporate imagination. Its role is to support the illusion of an inevitable worldwide free market.
To view globalisation in this way, it is alleged, merely sets up a straw man, a caricature of globalisation that is easily dismissed and allows critics to ignore the real changes in the world system. But Axford, reviewing a mass of globalist literature, concludes, 'Much recent discussion of the world economy has emphasised the complete 'globalisation' of economic relations, so much so that there is sometimes an unquestioning certainty about the existence of a truly global economy'. Hirst and Thompson concur: 'It is widely asserted that a truly global economy has emerged or is emerging.' They describe the globalist orthodoxy: 'The world has internationalised in its basic dynamics, is dominated by uncontrollable global market forces, and has as its principal actors and major agents of change truly transnational corporations (TNCs), which owe their allegiance to no nation state and locate wherever in the globe market advantage dictates.'

In addition, whatever realities it must confront, corporate capital wishes to propagate the view that there is a global rationale to its activities. Hoogvelt notes that corporations, international organisations, governments and the media increasingly speak as if they are operating within a 'globalised' system of freely flowing capital, especially when they wish to discipline the workforce by reference to capital mobility and the 'portability' of jobs.

These ideas are far more pervasive than the global 'revisionists' suggest. Niall FitzGerald, vice-chairman of Unilever, one of the largest European corporations, argues that globalisation should be accepted 'as a fact of life'. We live in a "global village" of diminished borders, internationalism and free trade, he maintains. Companies are not debating the existence of a global condition, 'they are responding to its effects'. Globalisation 'is simply the latest phase in the evolution of international business and the integration of the world economy'.

Some former critics of the international system have been won to the argument that market integration is indeed a means of advancing human interests as a whole. Nigel Harris, a former editor of this journal who is now an enthusiastic globaliser, argues that capital circulates worldwide with increasing freedom, restrained only by the enfeebled state structures of an earlier era. Harris concludes that from within a new order, 'world interest and a universal morality are struggling to be reborn'.

The conviction that world integration is imminent or even accomplished affects even those who continue to express hostility to international capital. William Robinson, for example, attacks the system as one that has produced 'prolonged mass misery and social conflict.' He nonetheless accepts much of the globalisers' thesis. According to Robinson, transnational capital is a 'juggernaut'; it 'has been liberated from any constraints on its global activity' and has achieved 'total mobility and access to very corner of the world'. This novel development is 'the fundamental dynamic of our epoch'. In my view...activists and scholars alike have tended to understate the systemic nature of the changes involved in globalisation, which is redefining all the fundamental reference points of human society and social analysis, and requires a modification of all existing paradigms.

There is a further widespread assumption about the global market that corporate capital is keen to encourage, one especially relevant in the context of developments in the Third World. This is the view that world society should now be understood as a complex of consumers, a mass of individuals whose interests can be served uniquely well by the market economy. Absorbed from classical economics and applied by globalisation gurus such as management theorist Kenichi Ohmae, this sees a 'borderless world' in which freely moving capital interacts directly with the consumer. Encouraged by the spread of global media, it is said, there are unlimited opportunities to exercise choice: for the first time billions of people have direct access to goods and services.

This approach has had its impact on academic theorists of globalisation and of 'global culture'. Reviewing their perspectives, Waters comments that in a 'culturised' world economy, 'world class is displaced [sic] by a world status system based on consumption, lifestyle and value commitment'. On this view, the integration of world society is a function of increased enthusiasm for shopping.

In the real world
'Wastelands': These approaches are not the ideas of cranks from which more perceptive theorists of
globalisation can now distance themselves. They are views widespread among theorists of globalisation
which should be made to stand against the realities of the international political economy and the
condition of humanity worldwide.

Rather than exercising new powers as consumers, billions of people are being forced to the very margins
of the world system where notions of taste, choice and assertion of status must be measured against the
imperative of survival. Over the past 30 years there has been a very rapid increase in global inequality.
This is crudely estimated by the United Nations, based on differences between homogenised 'developed'
and 'developing' nations. As we shall see, this is an inappropriate means of understanding world inequality
but it does give 'headline' figures that stand starkly against the globalisers' account. Between 1960 and
1994 the gap in per capita income between the richest fifth of the world's people (most in developed
countries) and the poorest fifth (most in developing countries) more than doubled--from 30:1 to 78:1. By
the mid-1990s this trend was becoming more marked: by 1995 the ratio was 82:1.33

In 1997 the richest fifth of the world's people obtained 86 percent of world income; the poorest fifth
received just 1.3 percent. Some 1.3 billion people subsisted on less than $1 per day--a life threatening
decline in living standards since the 1960s. The trend was also accelerating: by 1996 no less than 30
countries showed an annual decline in the Human Development Index (HDI), which measures literacy, life
expectancy, and access to health services, safe water and adequate food. Among 147 countries defined as
within the 'developing' world, 100 had experienced 'serious economic decline' over the past 30 years.34

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*HDI is calculated using figures for life expectancy, educational
attainment (adult literacy and combined primary, secondary and
tertiary enrolment), and standard of living (measured through
adjusted income).

[Source: UNDP, Human Development Report 1998 ]

Some regions of the Third World, says the UNDP, have become 'economic wastelands'.35 Most countries of
sub-Saharan Africa are far behind the base growth level of 3 percent over a generation which is identified
as necessary to reverse current trends to greater mass poverty. By 2030, the UNDP estimates, world GDP
will more than double but Africa will experience a further sharp decline in its share of the world total:
from 1.2 percent in 1997 to 0.4 percent.36 The majority of Africans--some 500 million people--will be
further marginalised within an increasingly productive world system.

Countries defined by the World Bank as being 'middle income' or 'upper middle income', and by the UN as
showing 'high human development', have also shown a steep decline in living standards. In Latin America,
long regarded as a relatively advanced region, the number of people living in poverty increased between
1990 and 1995 from 183 million to 230 million, or 48 percent of the continent's population.37 In 1994 the
UN's Food and Agriculture Organisation (FAO) estimated that 59 million Latin Americans were suffering chronic hunger. In Asia, 40 years of growth among the Tiger economies had made them models for mainstream development strategists. Even before the meltdown of 1997, however, the World Bank noted 'a consistent pattern of poverty throughout the region', pointing out that a billion people lived below the poverty line, including over one third of the population of China. It also noted that inequality in a series of countries, especially in South East Asia, was becoming much more pronounced. In October 1998 the United Nations Children's Fund (Unicef) reported that malnutrition in some parts of the region, notably Thailand, Indonesia and Malaysia, had reached proportions hitherto associated only with 'the benchmark of poverty--Africa'. The Philippines government pleaded for massive aid from Western governments, arguing that that for the first time in 20 years, 'the war against poverty...is being lost [sic]'. Even the Singapore government, which has long suppressed all 'bad news' stories, warned of the implications of unemployment and deepening poverty in neighbouring Indonesia, quoting estimates that half the Indonesian population of over 200 million would be below the poverty line by the end of 1998.

In the worst affected regions such as the Horn of Africa and parts of West Africa, attempts to stimulate even basic development have largely been abandoned. Cox comments:

*The perception that much of the world's population is not needed by the global economy seems to have been recognised implicitly (though never openly) by the principal world institutions. Policies to promote economic development have been very largely displaced in favour of what can be called global poor relief and riot control.*

In these regions some states do not even feature in research programmes upon which organisations such as the UN base their analyses. Somalia, for example, has simply disappeared from the usually comprehensive UNDP reports.

*Class: Inequalities are now so stark that even the UNDP recently reported the findings of *Forbes Magazine*, the US business journal, which in 1997 identified 225 people worldwide as having combined wealth of $1 trillion. Of these ultra-rich, over 60 percent were based in the most advanced industrial countries, including Japan. Of the rest, about half were based in Asia, a quarter in Latin America and the Caribbean, and the rest in Arab states, Russia and Eastern Europe. Two of the 225 were from Africa--significantly from South Africa.* Although these figures show the usual weighting towards developed countries, they also show accumulation of wealth in the developing countries on a scale which was unthinkable during the colonial era.

Countries viewed as closely integrated into the most dynamic sectors of world economic activity show massive disparities of income. Panama is the location of a key artery of the world trade system and is categorised by international agencies as within the elite of developing countries. While the richest fifth of the population enjoys annual average per capita income of $17,611, the poorest fifth earns on average only $589. Over 25 percent of the population is below the internationally defined poverty line of $1 a day. At the other end of the scale, in Senegal, categorised within the group of least developed countries, the richest fifth have average per capita incomes of $5,010; the poorest fifth have a mere $299. In nearby Guinea-Bissau, the figures are $2,533 and $90 respectively. Here 87 percent of the population attempts to survive on less than $1 a day and 40 percent are below the less testing local poverty line.

All available evidence suggests that inequality is becoming much more pronounced. During the 1960s the poorest 50 percent of people in Brazil received some 18 percent of national income; by the mid-1990s the figure had fallen to 11.6 percent. In Egypt, where the regime has been a Third World pioneer of neo-liberal economic strategies, 23 percent of the population was estimated to be below the poverty line in the late 1970s; by the early 1990s the figure had risen to over 40 percent.

The human experience, far from being universalised by market forces, is more differentiated than ever. For billions of people the idea of choice, consumerism and 'value commitment' brought by a global era is fantasy. In fact, the recent phase of supposed global advance has brought increased suffering and uncertainty for far longer than the Great Depression of the 1920s and 1930s.
**Combined and uneven development**

*Marx and the world system:* We require an approach which can make sense of the partial and contradictory character of change. Such an analysis is to be found in theories of development pioneered by Marx and which were refined by Trotsky in the early years of the 20th century. Together with Marx's theories of the circulation of capital and of capitalist crisis, they allow an understanding of the dynamics of today's world system. They also make central the social forces that bourgeois theories including globalisation make irrelevant: the masses of the exploited worldwide.

The description of capitalist expansion by Marx and Engels in *The Communist Manifesto* captures the driven nature of the bourgeois project and its global implications:

*The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere... The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country... All old-established national industries have been destroyed or are being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self sufficiency, we have intercourse in every direction, universal interdependence of nations.*

Marx, Engels and their co-thinkers anticipated that the expansion of capitalism from Europe would produce steady progress towards capitalist relations across what they called the 'colonial world'. Initially they expected that the immense economic and political weight of capitalism in the West would stimulate the growth of local capitalist classes, overwhelming rulers whose privilege rested upon pre-capitalist relations. As they wrote in *The Communist Manifesto*, "The cheap prices of its commodities are the heavy artillery with which [capitalism] batters down all Chinese walls". In India, where British rule was bringing rapid change, Marx commented that England had 'a double mission...one destructive, the other regenerating--the annihilation of the old Asiatic society, and the laying of the foundations of Western society in Asia'. The colonialists' were wholly self serving and, according to Marx, their methods were 'vile', but in India he observed that they were transforming a largely rural society in ways that eventually would have positive outcomes. Atomised, self contained village communities were being brought together by railways, the telegraph and the centralising impact of a British army and administration. In the course of time, social forces capable of revolutionising Indian society would emerge, producing 'the only social revolution ever heard of in Asia'.

Marx expected that this process would be general and that capitalism would spread worldwide, integrating every region into the system of commodity production. It would thus create the material, social and subjective conditions which would allow mankind as a whole to achieve revolutionary change and a classless society. In this perspective all countries would pass through the stages of development which had been witnessed in Europe, involving a relatively slow (though often traumatic) progress towards industrial capitalism--what might be termed (although Marx did not use the word) an 'even' development of the world system. As Marx spelt it out in the preface to *Capital*, 'The country that is more developed industrially only shows to the less developed the image of its own future.'

But this was not a one dimensional attitude to capitalist progress. During the European revolutions of 1848 Marx and Engels had observed the 'indecision, weakness and cowardice' of parties of the bourgeoisie. This confirmed their notion of the 'permanency' of revolution, in which the most energetic and intransigent agents of change were the proletarians. Subsequent events gave them cause to modify further their approach to the bourgeoisie at a world level. The European experience was not simply...
reproduced worldwide, Marx noted. Colonial powers faced hostility from subject populations, to which they responded with savage repression. Capitalism could not even accommodate the aspiration for independence expressed by embryonic local bourgeoisies, which were not permitted to emerge as an independent force. Put another way, everywhere the bourgeoisie was weak and uncertain, and could not fulfill its 'historic tasks' of capitalist development. In the case of India, Marx noted, the interests of the masses would be best served by proletarian revolution in the West, or by an indigenous movement in which 'the Hindus themselves shall have grown strong enough to throw off the English yoke altogether'.

This recognition of more complex and contradictory patterns of change was taken further in Marx's later writings. He suggested that in Russia, also a 'backward' country in which the embryonic capitalist class was weak, it might be possible to accelerate capitalist development. He observed that the Russian state had already implanted advanced industrial methods within a basically agrarian society, noting that 'the state has fostered a hothouse growth of the branches of the capitalist system'. These observations were made as part of a debate with Russian populists which focused on other issues but reveal that Marx had become aware of processes by which, in non-industrial countries, changes introduced by capitalism could result in novel patterns of change. The most important of these was the co-existence of an 'implanted' modern industry with the traditional rural economy.

**Trotsky's insights:** Following the revolution of 1905 Trotsky made a far fuller analysis of developments in Russia. He focused upon the rapid growth of industry. This, he noted, had not emerged only or even mainly as the result of change pioneered by an indigenous capitalist class like those which had revolutionised society in Western Europe. Russian industry was largely of foreign origin and, encouraged by the Tsarist state, it had been implanted in the form of the modern, capital-intensive enterprise. He noted that 'capitalism in Russia did not develop out of the handicraft system [as in Europe]. It conquered Russia with the economic culture of the whole of Europe behind it'. He continued, 'European capital projected its main branches of production and methods of communication across a whole series of intermediate technical and economic stages through which it had to pass in the countries of origin.' Change in Russia had therefore been abrupt: 'In a short period [European capital] converted a number of old archaic towns into centres of trade and industry, and even created, in a short time, commercial and industrial towns in places that had been absolutely uninhabited'.

Trotsky described a process in which modern factories, transport systems and administrative structures coexisted with traditional practices: huge steelworks and engineering plants could be found alongside fields in which peasants still used the hoe. The pattern of development was uneven, combining the most advanced methods with traditional techniques, and producing centres of modern industry which were enclaves within a predominantly agrarian society. Trotsky observed that a journey from the countryside to the city could take peasants directly from the traditional context to the modern, from the isolation of rural communities to workplaces in which a new collective, the proletariat, was being established as a class with heightened expectations of change. He spelt out the revolutionary consequences, most importantly that the new working class had become a more coherent and powerful force than any other in the society, including the weak local bourgeoisie, and was destined to lead the struggle for socialist revolution. This was the basis for Trotsky's theory of permanent revolution, dramatically confirmed during the Russian Revolution of 1917.

**Uneven development today:** Throughout the 20th century, change in Africa, Asia and Latin Africa has been marked by a similar pattern of combined and uneven development. No region is untouched by market relations but these have not propelled societies steadily towards growth. Rather there are patterns of extreme unevenness. These are expressed, for example, in the 'megacities' of the Third World, in which modern industries have drawn in millions of former peasants to establish a new proletariat. At the same time, they are home to vast numbers of urban poor and to migrant labourers and semi-proletarians who may have a stake in the rural economy as well as in the city. Such cities also express the yawning gap which has emerged between the new bourgeoisies of such countries and the mass of the exploited, captured in the presence of five star hotels offering haute cuisine alongside slums in which vast numbers of people struggle for survival. Jakarta, Calcutta, Rio, Cairo, Bombay, Istanbul, Shanghai, Lima, Caracas and many others bear witness to the real outcome of changes in the world economy.
In most regions, change was at first associated with intrusion of Western capital. Later local bourgeoisie developed greater coherence and ambition but even in the post-colonial period they have remained junior partners in the imperialist system. Today some are little more than parasitical groups which share revenue from processing of local raw materials: the Gulf ruling classes, for example, are rewarded by the oil majors for guaranteeing access to the oilfields. Other ruling classes have made complex, sustained interventions in the local economy, largely through structures of the state. This is in general the case in the Newly Industrialising Countries (NICs)--a handful of states in which there has been relatively rapid industrial growth. They include Brazil, Argentina, Mexico, India, and the more celebrated East Asian 'Tiger' economies--South Korea, Taiwan, Hong Kong and Singapore. Alex Callinicos comments of the NICs:

_They are...cases of the process of uneven and combined development analysed by Trotsky in Tsarist Russia at the time of the 1905 revolution. They combine in equal measure 'advanced' and 'backward' features--advanced industry and authoritarian politics, a modern proletariat and great pools of misery and poverty. It is this combination which makes them liable to huge social and political explosions._

One feature of change in the Third World which has invariably puzzled bourgeois analysts has been the level of engagement of urban populations and especially of the working class. Among a host of examples, the Chilean events of 1970-1973, the Iranian revolution of 1978-1979, the struggles in South Africa throughout the 1990s, and the Indonesian upheaval in 1998, have all demonstrated the specific weight of the proletariat within societies still regarded as in the process of development. Trotsky's analysis of class relations within the process of combined and uneven development has proved prophetic.

The NICs are examples of capitalist advance, but the unevenness of the world system has also produced the contraction and collapse of local economies. All states are subject to problems of world crisis but those most distorted by the world system are especially fragile. Thus, where capital has penetrated a country or region in order to extract specific raw materials or to use local resources for processing, changes in the world market or in local conditions can produce very rapid decline. In the mid-1970s, two thirds of exports from Chad were cotton; two thirds of Chile's exports were copper; and two thirds of Ghana's exports were coffee. In the same period, almost three quarters of Congo's exports were timber; a similar proportion of Cuba's exports were in sugar; and of Liberia's in iron ore. Like scores of other countries, they faced immense difficulties during the world economic crisis of the mid-1970s. In some cases, local revenues declined precipitately. In Zambia, where the state had obtained half its income from the copper industry, a fall in world prices meant that by 1977 its receipts from this source had declined to nil, with catastrophic consequences for a population soon deprived by the state of subsidised basic foods.

During periods of world recession, some vulnerable regions can be pushed to the margins of the system. Throughout the 1970s and 1980s countries of the Horn of Africa faced increased difficulties. They had not been exploited intensively for mineral or agricultural riches and were of little concern to the centres of world power. When wracked by repeated famines, mass movements of population and dislocation of economic and social structures, local states became highly unstable and by the early 1990s one state, Somalia, had collapsed. This produced a spectacle which might be a metaphor for world development: while millions starved in Somalia, in nearby Saudi Arabia, long exploited for its oil resources, billions of dollars were being mobilised to safeguard Western interests. There have since been further collapses in West Africa, where a series of local economies have become increasingly fragile and where in the mid-1990s the Liberian state disintegrated. Worldwide, more and more regions face such prospects.

The theory of combined and uneven development embraces change at a world level: it takes from Marx the notion of capitalism as an expanding system which draws in and integrates all countries, albeit in ways that Marx had not at first anticipated. It is a _global_ perspective--but not one of 'globalisation'. It does not speak of positive integration by the market but of unevenness, inequality and asymmetry. Rather than harmony and increased prosperity we have more of instability, conflict and needless suffering. And rather than a passive population ready to accept its allocated role in global consumerism we have increasingly large and energetic political collectives, above all a more assertive working class.
Global capital

Forms of capital: The theory of combined and uneven development provides a framework for understanding the pattern of world development. But just as Trotsky relied upon Marx's economic theories to explain the dynamics of Russian capitalism, so it is necessary to mobilise Marx's approach to understand recent developments in the world economy, especially the increased inequalities between the West and the Third World, and within Third World societies, that the globalist account conceals.

Marx's approach to the circulation of capital is vital to this task, especially because of the globalisers' insistence that capital flows are the key element in making a more equitable world. In classical economics and its contemporary variant, neo-liberalism, capital is essentially unitary, expressing itself as money, investment or profit and growing by virtue of entrepreneurs' energy in exploiting opportunities offered by the marketplace. In the globalist perspective, capital flows worldwide as the result of direct investment by companies and individual entrepreneurs, of activity on stockmarkets and commodity exchanges, and of initiatives taken by banks and finance houses. It is the change in volume and speed of capital transfers that makes for the more even distribution of capital and hence for globalisation.

Marx argued that capital can take different forms. He suggested that capital is not unitary, nor does it expand 'naturally' through the alchemy of the market. Rather, as he explained in Volume 2 of *Capital*, its form depends upon the human relationships involved in its mobilisation. Thus money and commodity capital are expressions of capital in circulation. Each, however, has its origins in productive capital, that which results from the direct exploitation of human labour. As Chris Harman insists, 'The point is important--money-capital often seems to be the "pure" form of capital, the form in which the self expansion of value is most vividly to be seen. But like the other forms of capital, it is in reality, as Marx put it, "not a thing but a relation", a relation which involves the exploitation of people at the point of production'.

Identification of different forms of capital does not mean that they exist wholly independently: the process of accumulation involves many changes from one form to another. Production, which is at the core of the capitalist economy, requires that money-capital is used to buy machinery, materials and labour; and production itself brings into being commodities, which are in turn exchanged for money. But money can be moved through the system far more quickly than capital in form of material objects--machines, production lines, transport systems, etc. This is especially important in the context of credit. Banks and finance houses have emerged through the efforts of capitalists to benefit from situations in which they have profit to invest--but not necessarily enough to invest immediately in productive projects such as new factories or machinery. They may therefore lend what they have in hand to other capitalists, usually through banks. When they need to mobilise large sums they apply to banks for loans. In effect, the loan is an advance to the capitalist on the expectation of later realisation of surplus value through direct exploitation. It is in this context that speculation takes place, as capitalists gamble on anticipated profits, often using credit, and hoping to drive up prices in the process.

The distinction between forms of capital is of special significance in periods of slump. Faced with this prospect some capitalists may mobilise more of their resources in the form of money or commodity capital. This must be moved through financial networks based on banks, stockmarkets or commodity exchanges but does not require the relatively complex and stable sets of relationships associated with productive capital. Above all, it does not require the elaborate social and political systems within which accumulation of surplus value from human labour is accomplished. This helps to explain why a world economy which, at one level, is integrated by movements of money, becomes increasingly prone to destabilisation. It also explains the glaring contradictions associated with general movements of capital: how at one level such movements may prompt integration but at another level may have the effect of intensifying unevenness within the world system.

Financial capital: Even orthodox economists have recently become alarmed by the disproportion between what they call the 'paper' economy--debt--and 'fundamentals' such as growth in output. Drucker warns, 'Ninety percent or more of the transnational economy's financial transactions do not serve what
economists would call an economic function'. And Cerny comments that 'the financial economy calls the tune for the real economy'. The suggestion that capital is not unitary has implications for the whole notion that increased flows of finance have been fundamental to the making of a globalised world. It is especially relevant when we consider the place of Third World economies within the wider system.

Movements of capital in the form of money and of commodities have increased greatly in volume and speed over the past 30 years. Axford sums up the approach of many theorists by depicting this development as 'the most unequivocal indicator of the globalisation of economic affairs'. In 1976 borrowing on international capital markets amounted to $96.6 billion; by 1993 the figure had reached $818.6 billion. In addition, during the 1980s, markets in 'derivatives', speculation on interest rates and exchange rates, increased from a few hundred billion dollars annually to some $8,500 billion. By 1995 the daily volume of business on the world's currency markets had reached $1,500 billion--a figure which exceeded the annual gross domestic product of all but three of the world's economies.

Stopford and Strange describe the new environment in which these huge volumes of capital have become increasingly mobile:

*Instead of a system of national financial systems linked by a few operators buying and selling credit across the exchanges, we now have a global system, in which national markets, physically separate, function as if they were all in the same place. The balance has shifted from a financial structure which was predominantly state based with some transnational links, to a predominantly global system in which some residual local differences in markets, institutions and regulations persist as vestiges of a bygone age.*

The new system, it is argued, has been made possible by rapid advances in communications technology. The Financial Times has observed that, because of these, banking 'is rapidly becoming indifferent to the constraints of time, place and currency'. Changes in means of data transfer are often viewed as the defining expression of financial globality--a world 'wired' for integration between its banking centres is depicted as one already unified. It is in this context that Waters concludes, 'Elimination of space has accomplished the conquest of time'. Such a notion of integration through financial flows has been a primary influence on theories of globalisation. In a revealing remark, Cerny suggests that today 'the world order follows the financial order'.

These comments reflect the conviction of many globalisation theorists that world integration is a product of the autonomous functioning of modern technologies. In a typical observation, Gray notes, 'We are not the masters of the technologies that drive the global economy: they condition us in many ways we have not begun to understand'. On this view, it is the power of digital systems that makes for integration of world finance. Such an approach offers no hint of why such means have been mobilised; in particular it ignores the initiatives taken by leading financial institutions to put new technologies to the service of profit.

In the 1970s many banks attempted to counter the problem of holding funds which were 'idle' due to recession in the West by lending to Third World countries. This was an effort to counter one manifestation of a general problem--the systemic tendency of the rate of profit to decline. It ended in near disaster, as Mexico defaulted, prompting the IMF to step in and rescue its financial institutions. Banks were compelled to look elsewhere for means of maximising profit and there was a general turn towards 'securitisation'--selling shares, options and other forms of marketable 'paper' (including government debt) on stockmarkets worldwide. As banks moved more fully into these activities they pressed into service the technologies of communication which were just becoming available: integrated systems of computers, telephone lines, TV, and satellite links which allowed almost instantaneous transfers of funds, quick speculative gambits and rapid profit taking.

The capacity to switch money at speed through global networks did not mean that the relationships mediated by money changed, however. Despite an appearance of 'indifference' to place, the mass of transactions were conducted within and between traditional financial centres such as New York, London
and Tokyo. Even by the late 1980s over half of all 'stateless' currency—known as the Eurodollar—circulated within the US, principally among New York institutions that had dominated the money markets for decades.\textsuperscript{77} And although penetration of finance capital into the Third World is now much deeper than hitherto, today's 'emerging markets' are often dominated by institutions which are direct descendants of banks and finance houses of the colonial era.

At the same time, large volumes of capital have been moved through new banking centres in the Third World, especially in East Asia and South East Asia, and globally organised speculative activities now affect profoundly many African, Asian and Latin American economies. Again, this is not an entirely novel development: during the colonial era bankers played a leading role in advancing European economic penetration of the Third World. In the post-colonial period many independent states then introduced controls, providing some insulation from capital movements in the wider market. But these measures were in turn reversed during the drive for deregulation which from the 1980s exposed such countries to more powerful flows of finance and to voracious profit seeking.

By the 1990s many countries which had been closed to international speculative activities were appearing on 'emerging markets' listings. In 1994 Emerging Markets Investor magazine detailed 51 emerging capital markets in which securities could be traded; it also commented that 'many of the markets currently inaccessible can be expected to open up before long'.\textsuperscript{78} Within such markets all manner of institutions have been at work: in Egypt, for example, in 1995 only a handful of international financial operators were active; by 1997 some 714 foreign mutual funds had entered the local market, even though by world standards it traded a tiny volume of stocks.\textsuperscript{79}

Although external financial involvement in many countries may be modest on the world scale, it may be very significant in the local context. This becomes apparent as the level of exposure to financial flows is increased, especially when Third World countries open stock exchanges or other markets on which a range of securities can be sold. Transnational movements of finance do not operate through the evenly integrated 24 hour global marketplace depicted in globalisation theory but through a series of interlinked networks—what management consultants McKinsey call 'distinct world markets for each type of instrument...depending closely on the complex nature of the risks which determine the price of each instrument in different countries'.\textsuperscript{80} Markets in countries as diverse and physically distant as Bangladesh, Colombia, Ghana, Kenya, Pakistan, Peru and Vietnam have been drawn into these networks of speculative activity focused on short term profit taking. The result has been greatly increased vulnerability to speculators who make finely calculated judgements about each financial gambit, moving immense volumes of capital against local currencies and tradeable securities.

In 1997 the Malaysian ringitt and Thai baht dropped precipitately after evidence of local vulnerabilities produced huge outflows of money. Neighbouring states such as Vietnam and the Philippines, which were less exposed to the international markets but well integrated into the regional economy, also experienced steep falls in the value of their currencies and turmoil on their stockmarkets. There was a flood of money out of the region, mainly to secure 'home bases' in Europe, the US or Japan.\textsuperscript{81}

Such is the fragility of many Third World currencies and local markets that specific local collapses can spread rapidly through financial networks, producing a 'contagion' effect. In August 1998 financial crisis in Russia prompted a collapse which the Financial Times said would cause developing markets in general to 'disappear into a black hole'--Third World currencies and stocks having become 'so much nuclear waste'.\textsuperscript{82} Domestic interest rates in Brazil promptly rose to almost 50 percent and over a period of two weeks the Brazilian government spent $15 billion of its $67 billion foreign exchange reserves propping up its currency, the real.\textsuperscript{83}

There can be no doubt that transnationalisation of world finance has had a profound effect, most importantly in generalising crisis. Thus events in South East Asia and Russia have not just weakened currencies in Latin America but through the 'domino effect' they threaten to subvert whole financial systems. In August 1998 the Financial Times warned that 'Latin America is on the brink':

\textsuperscript{77} and \textsuperscript{78} see Marfleet, Globalisation and the Third World, pp 35-37.
\textsuperscript{79} see ibid., pp 40-41.
\textsuperscript{80} see ibid., p 43.
\textsuperscript{81} see ibid., p 46.
\textsuperscript{82} see ibid., p 47.
\textsuperscript{83} see ibid., p 48.
The Asian crisis, having swept through Russia, is now engulfing the continent. Its biggest economy, Brazil, is fighting to avoid a currency collapse or a debt moratorium. If it is forced into either, the next biggest economies, Argentina and Russia, would well follow suit...the economic reforms that opened up [Latin America] to the world market after a violent and inflationary decade will be at risk and so could the 'Washington consensus', the idea that economic modernisation is best performed by liberalising goods and capital markets.84

While predatory activity across the world has intensified, longer term involvement of major banks with the Third World has greatly diminished.85 Lending has been directed to a small number of countries, notably to those in East Asia dubbed the 'Dragon' economies, which were said to be following the example of the East Asian Tigers and transforming themselves into industrialised states organised on uninhibited free market principles. In the first half of 1998 alone, international banks lent $32 billion to countries in Asia, overwhelmingly to those in East and South Asia which were already showing what the Financial Times called (with some understatement) 'signs of strain'.86 Speculative lending to Thailand, for example, had proved a key factor in precipitating a general economic collapse in 1997.87 Meanwhile, less favoured economies elsewhere have become more dependent upon government borrowing, and upon programmes organised by the World Bank and the International Monetary Fund which continue to impose conditions in line with neo-liberal principles of deregulation, further emphasising local vulnerabilities.

'Free trade': The level of world integration through trade is much less pronounced than in the area of finance. It is true that during the long boom world trade grew very rapidly but growth rates have since slowed.88 More important, trade is increasingly organised on a pattern at odds with the globalist notion of world integration.

In globalisation theory, deregulation is identified as the main means of achieving a free trade network in which commodities flow across old protective regimes. But developments among the world's dominant economies are not towards an open market model but towards regional links and trade agreements. Judis comments of the North American Free Trade Agreement (Nafta) of 1992:

Nafta is not really about global free trade. It does remove trade and investment barriers among the United States, Canada and Mexico, but it retains and erects (in the form of 'rules of origin') barriers between the three countries and the rest of the world. Appearances aside, Nafta is a prudent step towards creating a regional trading bloc that would withstand the devolution of Western Europe and Asia into rival blocs. The treaty's free trade proponents would never admit this, but Nafta's underlying thrust is toward managed trade and investment.89

The notion that formation of such blocs represents a genuine alliance of national capitals must also be questioned. In the case of Nafta, for example, regionalisation has been driven most strongly by US producers' desire to gain direct access to the Mexican market. During the late 1980s US exports to Mexico rose rapidly: Kegley and Wittkopf assert that 'Nafta was written to accelerate this growth'.90 Similarly, consolidation of the European Union (EU) should be understood in the context of the relative strengths of national states in the region. As Milward has argued in The European Rescue of the Nation State, Europeanisation is intimately associated with the dynamics of the most powerful of the regional economies, that of Germany.91

Rather than being integrated simply by trade flows, the global environment is also one of new blocs, each dominated by one or more of the major economic powers of North America, Europe and East Asia--what Sandholz calls 'regional neo-mercantilism'.92 In the same vein The Economist challenges the idea of unstructured global interaction, commenting that 'the big trend in the world economy is towards "regionalism" and the reassertion of regional geography'.93 Such blocs by definition exclude the mass of states of the Third World, viewed by the regional alliances as their arena for economic competition. The exceptions, such as Mexico in the Nafta group, are left weaker as their notional independence is diminished. Even conservative accounts of the world order confirm this development. As Philips and Tucker comment, 'For the developing countries, the prospect of a world divided into separate regional
centres is disconcerting. It leaves too many countries out of the system altogether, and even those it encompasses are left relatively weak as their bargaining power is divided.\footnote{94}

Third World countries now occupy a more marginal position in world trade. In 1962 the share of 'industrial' countries was 63.6 percent and of 'non-industrial' countries 24.1 percent. By 1990 the figures were 71.9 percent and 20 percent respectively.\footnote{95} These figures place the four Asian Tigers in the 'non-industrial' group. If the four, which together have a quarter of the 'non-industrial' world's trade, are reallocated to the 'industrial' group, the figures reveal an even starker difference: 76.5 percent of world trade among 'industrial' countries and 16.5 percent of trade among the 'non-industrial' countries of the Third World. The picture is one of greatly increased asymmetry; notions of simple world integration once more seem implausible.

\textit{Productive capital and foreign direct investment}: In the early 1970s, after 25 years of sustained growth through the 'long boom', international production seemed to be playing a new role in integrating the world economy. Exchange of manufactured goods became the most dynamic sector of world trade; at the same time, the internationalisation of manufacturing itself seemed to be breaking down barriers between national states. Harris noted, 'The great boom thus tended to wash away what hitherto had been seen as the clear national identification of production'.\footnote{96} Multinational companies (MNCs) were seen as the main agents of this process. Even by the early 1960s their combined sales were estimated at almost 20 percent of world output of goods and services and economists were beginning to depict a novel global development.\footnote{97} In fact MNCs had existed since at least the 19th century and their mode of operation was not new. What was unexpected was the speed of their growth and the contrast this presented with the preceding period during which national states and state capital had dominated the world economy.

By the early 1990s the largest 300 MNCs accounted for 70 percent of foreign direct investment (FDI) and 25 percent of the world's capital.\footnote{98} Most MNCs were engaged in extraction, processing or manufacture, the key sectors being petrochemicals, automobiles, consumer electronics, tyres, pharmaceuticals, tobacco and foodstuffs. They operated enterprises which required long term investment and demanded sophisticated local infrastructures. Most important, they employed tens of millions of workers in productive activities: that is, the exploitative relationships involved resulted directly in profit for the owners of capital. This places MNC activity in an altogether different category from other perceived globalising activities, notably that of finance, where, as Hoogvelt comments, profits 'are based on fictitious capital formation, namely on debt and exponential debt creation'.\footnote{99}

Even the repeated world recessions of the 1970s and 1980s, which deeply affected growth of trade, did not halt the process of restructuring. This can be seen in the rapid growth of FDI. Hirst and Thompson note that during the 1980s FDI grew almost four times faster than world merchandise trade, a development which these two writers--who are in general sceptical of the globalisation thesis--see as 'a very basic change in the nature of the international economy'.\footnote{100}

Chris Harman observes that much of the credibility of the 'globalisation' orthodoxy depends upon perceptions of MNC activity: 'It enables the orthodoxy to paint a picture of capital flowing evenly across the face of the earth, ceaselessly shifting from one spot to another in search of lower wages and higher profits, with a tendency towards the sprinkling of production facilities uniformly across all five continents'.\footnote{101} What is most striking about global investment, however, is that it too reveals a pattern of increasingly uneven development. On figures collected by Hoogvelt, until 1960 the Third World received about 50 percent of total world investment; by 1974 this had fallen to 25 percent; by 1988 it had fallen to 16.9 percent.\footnote{102} Thus during the colonial period, Africa, Asia and Latin America had been important target zones for investment; as the volume of total investment worldwide increased, these continents became less significant. FDI involves a much smaller proportion of investment. It grew significantly during the 1980s and especially in the 1990s, when the increase averaged 12 percent a year, almost double the increase in growth of total world exports.\footnote{103} By 1996 some 37 percent of total FDI was going to developing countries, a statistic that has led many globalisers to conclude that FDI is widely dispersed. In fact, such capital entered only a handful of economies. The World Bank recently confirmed that between 1990 and 1995 just nine of the 147 'developing' countries received 90 percent of all such flows,
the most favoured being China, Singapore, Malaysia, Thailand and Brazil.\textsuperscript{105}

| TEN TOP DEVELOPING COUNTRIES FOR INFLOW OF FDI 1981-1992 (US$ MILLION) |
|----------------|----------|----------|----------|----------|
| China          | -        | 1,875    | 3,393    | 11,156   |
| Singapore      | 1,660    | 1,710    | 2,773    | 5,635    |
| Mexico         | 2,835    | 1,523    | 3,037    | 5,366    |
| Malaysia       | 1,265    | 489      | 1,668    | 4,469    |
| Brazil         | 2,520    | -        | 1,267    | 1,454    |
| Hong Kong      | 1,088    | 996      | 1,076    | 1,918    |
| Argentina      | 837      | 574      | -        | 4,179    |
| Thailand       | -        | -        | 1,775    | 2,116    |
| Egypt          | 753      | 1,217    | 1,250    | -        |
| Taiwan         | -        | 326      | 1,604    | -        |

Percentage share of ten top countries in total inflows to developing countries:

\begin{align*}
&81 & 70 & 72 & 76
\end{align*}

[Source: UNCTAD ]

Hirst and Thompson have correlated FDI with world population structure. They estimate that, even when major population centres such as coastal China are included in the recipient category, countries containing just 28 percent of the world's population receive 91.5 percent of the FDI.\textsuperscript{106} They comment, 'In other words nearly two thirds of the world is virtually written off the map as far as any benefits from this form of investment are concerned'.\textsuperscript{107}

This asymmetric pattern is consistent with the regionalisation of FDI within economies of the West. Ruigrok and van Tulder show that almost all MNCs invest more in one country than in any other: that in effect they operate from a clearly established 'home base' or within a distinct region close to the national point of origin.\textsuperscript{108} This is also consistent with patterns of world trade which show regional networks and the consolidation of trading blocs. Kiely concludes that 'evidence points to the maintenance, and indeed the intensification of uneven development in the global economy'.\textsuperscript{109}

*Home base:* In a recent critique of globalisation theory, Chris Harman comments, 'It is very easy for firms which trade internationally to move money internationally. But moving money is not the same thing as moving productive capital.' He goes on:

> Productive capital is made up of factories and machinery, mines, docks, offices and so on. These take years to build up and cannot be simply picked up and carted away... Productive capital simply cannot be footloose.\textsuperscript{110}

Kiely makes a similar point, that 'capital faces a number of sunk costs, which constitute significant barriers to exit'.\textsuperscript{111} He quotes Wade: '[Such costs] include initial start up costs, the costs of learning over time about a particular environment, and the costs of building, reputation, gaining acceptance among government, employees and other firms regarding their reliability as producers, employers, and suppliers in each market.\textsuperscript{112}

Labour costs are only one factor in decisions about location made by MNCs. Corporate managers routinely summon up the idea of a globalised labour market in which their workforce must be prepared to accept the discipline imposed by market conditions. But the idea of global portability of jobs is false. The most that can be said is that in some labour intensive industries such as clothing, textiles and electronic assembly, fixed costs are lower than in most other sectors and capital is somewhat more mobile. Korzeniewicz has shown, by analysing the activities of footwear manufacturer Nike in East Asia, that companies must balance the gain in lower wages against a host of other factors. He comments, 'The advantages of lower labour costs in the developing manufacturing areas [have] to be weighed against disadvantages in production flexibility, quality, raw material sourcing and transportation'.\textsuperscript{113} In many cases,
relatively high wage locations prove more desirable.

These considerations do not mean that companies remain wholly within the national state of origin. But even in the late 1990s relatively few have moved outside their regional bases, where they can rely on well established industrial links and infrastructures. Ruigrok and van Tulder conclude that, under these circumstances, 'neither individual firms nor states but industrial complexes constitute the centre of gravity of the international restructuring race'.\textsuperscript{114} Three such complexes dominate the world economy: North America, Europe and Japan. The rest of the world contributes only 19 percent of the sum of manufacturing exports and of this total two thirds comes from the Tiger economies, plus coastal China.\textsuperscript{115} There is no sign elsewhere of the development of major industrial complexes which might relocate productive capital on a substantial scale. It is on this basis that Ruigrok and van Tulder argue that what is usually called 'globalisation' would be better described as 'triadisation'.\textsuperscript{116}

In this context structures congenial to long term investment of capital are of immense importance. When MNCs do invest outside regions of origin the character of the local state is a critical factor and nation states perceived as stable, with well-integrated infrastructures and mechanisms of social and political control, are highly favoured. As Kiely observes, the pattern of FDI worldwide takes place 'because of, and not despite the state'.\textsuperscript{117} There is a corollary: those states without attributes deemed necessary by MNCs are treated with suspicion and few Third World states are considered for serious long term investment. Capitalism is not using the Third World in general as a site for intensified exploitation, it is marginalising it.

**Globalisation and development**

**NICs--road closed**: Globalisation theory is not a description of a much changed world. Rather it is the imposition of neo-liberal economic principles upon the reality of an unequal and disordered system: the world as contemporary bourgeois theory wishes it to be.

It is certainly true that the internationalisation of capital has accelerated over the past 30 years. But within this process two developments have taken the system in a direction different from that envisaged by the globalisers. First, a key response to the fall in the rate of profit has been increased speculative activity and a huge growth in financial markets. This has not complemented the growth of productive capital at a global level but has diverted investible funds from it, making less likely the emergence of new centres of capital accumulation. A second development involves decisions taken by MNCs to develop manufacturing on a regional, rather than a 'global' basis. Emergence of the 'triad' of investment zones has concentrated more and more of productive capital among networks of advanced economies. These networks are connected to Third World economies but are not active agents of the latters' development; on the contrary, their consolidation is a vote of 'no confidence' in the Third World. Declining rates of productive investment have left most such economies weak and vulnerable to the currents, eddies and tidal waves created by global speculators. The two tendencies have a combined effect of greatly increasing the development 'gap' between the 'triad' and the NICs, and 'the rest'. They intensify the unevenness of the world system, relegating to the also-rans even those states in which there were once hopes of modest advance.

These changes mean that the vision of advance towards NIC status is an illusion. In the mid-1980s Nigel Harris argued that the experience of the NICs would become more general. The dispersal of capital worldwide would certainly involve more and more economies, he argued: 'Once the internationalised core was created, the effects spread outwards, involving increased numbers of less developed countries, so that there are new newly industrialising countries--it is a continuing process. It seems inconceivable that the general trend could now be reversed'.\textsuperscript{118}

But the trend has been reversed. What now seems inconceivable is that even among the more stable countries of Africa, Asia and Latin America there might emerge states able to follow the paths of Korea or Taiwan, which over a generation from the 1940s changed radically, becoming substantial (if junior) industrial capitalisms. Callinicos's criticisms of Harris in this journal in 1987 have proved substantially correct. Emergence of new NICs, Callinicos suggested, would 'depend heavily upon international
conditions reflecting largely the state of the advanced economies' and would be 'limited by the ways in which Western capitalists, still the dominant force in the system, respond to the fall in the world rate of profit'.

In effect, capitalism has closed the NIC option for the foreseeable future. Its ideologues nonetheless maintain a double fiction: that industrialisation can be achieved and that the appropriate strategy is based upon a specific model of the free market NIC. As recently as 1997, one leading US bank published lists of Tigers, Near-Tigers and Tiger Cubs, encouraging Third World governments to believe that they could join the developing elite. Many ruling classes remain susceptible to the vision of progress within a 'globalised' world, in which pursuit of free market policies on the Tiger model will bring developmental rewards. In fact, from the 1940s, regimes in the East Asian NICs had followed a state capitalist path to industrialisation and represent specific and probably unrepeatable cases of rapid capital accumulation in the Third World. As Harris argued, 'Before the four existed, it had been necessary to invent them in order to justify [neo-liberal theories]; and after they expanded, not a little invention went into rendering the facts of their performance consistent with the postulates of the free market'.

Especially misleading is the notion that in cases of the most rapid advance, notably Korea, the local state withdrew from direct intervention in economic affairs. On the contrary, the state was (and remains) central: as one account of Korea notes, 'No state outside the Socialist bloc came anywhere near this measure of control over the state's investible resources'. The fiction of Korean development has nonetheless been incorporated into theories of globalisation to make an apparently seamless argument for free market strategy. Institutions such as the World Bank and the IMF continue to embellish the myth while using control over funds to induce Third World governments to move away from protectionism, state ownership and market controls.

Such 'liberalisation' was pioneered in the mid-1970s by the Sadat regime in Egypt through its infitah ('opening') policy. The regime immediately enriched itself and its supporters through commission agencies, import-export scams, and speculation in property and finance. Within a few years a 'Sadat class' of nouveaux riches had been accommodated by the ruling senior bureaucrats and army officers of the earlier nationalist period. Hinnebusch describes the outcome:

_The new prosperity widened and solidified the regime's support among those who got the lion's share of the benefits, the bourgeoisie. Revitalisation of the private sector created powerful interests with a stake in the regime. Contractors, real estate speculators, and merchants flourished on the economic boom; importers, partners and agents of foreign firms, tourist operators, lawyers and middle men who helped investors against bureaucratic tangles, thrived on the cuts they took from resource inflow... On the other hand, the lower middle and lower classes bore the main costs of infitah while reaping the fewest benefits... The explosion of conspicuous consumption at the top fed a growing perception that class gaps were widening, the rich getting rich and the poor poorer._

Twenty five years after the initiation of infitah President Mubarak still talks of creating a 'Tiger on the Nile' but sustained industrial growth on the NIC model remains a distant prospect. The story has been repeated in scores of states worldwide, as regimes with roots in an earlier era of state-led development have embraced neo-liberalism and launched the inevitable attacks upon living standards, social welfare and upon workers' and peasants' rights.

_The African crisis: In many poor countries the aim of development policy has been less ambitious--simply to halt economic decline. In 1991 the UN secretary general commented that Africa was heading for 'an unrelenting crisis of tragic proportions'. But for African states the solution has been the same as for aspiring industrialisers--the implementation of 'adjustment' programmes which aim to create conditions congenial to private capital accumulation. The outcome has been to intensify crisis: in agricultural production, industrial output, increased deforestation and desertification, rising food imports, declining terms of trade and capital flight. Sandbrook comments, 'If it were not for the unenumerated and unregulated informal or parallel economy, life [for the masses] would be more even desperate'._
The more compliant have been local regimes, the more seriously they have been affected. In 1990 Zimbabwe was ranked as a 'middle income' country by the World Bank, above Indonesia, the Philippines and other states aspiring to rapid advance. With mineral wealth and a relatively sophisticated agricultural sector it was expected to progress much faster than other African countries. While opposing IMF 'adjustment' programmes rhetorically, the Mugabe regime had implemented them, fulfilling requirements for aid and development assistance. But during the mid-1990s world prices for Zimbabwe's main exports, tobacco and gold, fell sharply and investors began to withdraw. In November 1997 there was a run on the local currency and a collapse in the Harare stockmarket. Food prices soared and were given a further upward push when, under pressure from the World Bank and IMF, the Zimbabwean regime increased the cost of the main staple, maize, by 24 percent. Following strikes and demonstrations against the increases there was a further collapse as the Zimbabwean dollar--formerly regarded as one of the best speculative investments in Africa--halved in value against the US dollar. One report commented that in a few months the country had gone from being one of Africa's top performers--'about to achieve sustained growth and prosperity'--to 'economic disaster'.

Zimbabwe suffers from the increased vulnerability which affects all economies 'opened' to the world system. As a corollary, states which have been somewhat less compliant with the IMF, or less effective in 'opening', have been punished less heavily. After the collapse of world markets in September 1998 one investment manager in London commented, 'As liquidity has drained out of the emerging markets, countries with relatively little foreign participation and generally illiquid markets have suffered the least...minor markets...seem to be unaffected by turmoil elsewhere'. While countries such as Somalia, Liberia, Sierra Leone, Sudan, Haiti and Afghanistan are dismissed as 'basket cases' and written out of the development script, others are penalised for having played their allocated role.

At the same time, these very vulnerable countries are being revisited by the problem of debt. This has often been viewed as a problem of the 1970s and early 1980s which receded when commercial banks reduced lending. But everywhere except Latin America (scene of the earlier debt crisis) debts to Western governments and multilateral creditors have continued to mount. By the late 1980s the volume of debt was increasing massively: in 1990 the total stock of debt owed by developing countries was $1.4 trillion; by 1997 it was $2.17 trillion. In Africa by 1997 debt stood at $370 for every person in the continent and dwarfed the annual production of many states. In 1994 Mozambique's debt amounted to 450 percent of its GNP, that of Congo was 454 percent of GNP, and of the Ivory Coast 339 percent of GNP. Scores of countries were similarly entrapped. Despite the increase in FDI to some developing economies, Western banks and governments now receive more in interest on debt from the Third World than the MNCs extract in profit--a reversal of the situation in the 1970s. In 1998 Third World countries paid Western creditors $717 million in debt service every day.

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<th>AFRICAN DEBT 1994--SELECTED STATES</th>
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<td>Congo</td>
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<td>Mozambique</td>
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PROFIT AND INTEREST: OUTFLOWS FROM THE THIRD WORLD (US$ BILLION)
With commodity prices falling, and the trade liberalisation of the Uruguay Round of negotiations on tariffs further penalising Third World economies, such countries might have expected relaxation of payment conditions. But in 1998 the US stalled on its Highly Indebted Poor Countries initiative (HIPC). Countries such as Tanzania, which was told to wait until 2002 to qualify for promised ‘debt relief’ under HIPC, face crushing burdens. According to one aid agency, the country's debt is rising so rapidly that development projects which the institution designed and which could never have achieved its own target results. According to Andrew Simms, 'Tanzania is paying for the World Bank's own mistakes. The money is simply going round in circles.' He adds:

There's one project in Tanzania for which we borrowed about $9 million. In 1979, that was equal to about 149 million [Tanzanian] shillings. So far we have repaid about $900,000 but that is now equivalent to 590 million shillings. In local currency terms we have already repaid the debt several times. But it just goes up and up.  

What seems incomprehensible to aid officials is that Tanzania has implemented IMF adjustment programmes, as instructed, since the mid-1980s. Among its 'liberalisation' measures, the government has repeatedly devalued the local currency, so that by 1998 the shilling was at 1,500 percent less than its international value in 1985. The government now spends $8 for every Tanzanian to service its external debt while it spends just $3 annually per person on health. More than 50 percent of the population lives below the poverty line.

These stark problems have not prevented US strategists restating the global masterplan in blunt terms. In 1997 the State Department sent a senior trade official to tell an African summit meeting: 'The core premises of our plan are that those nations willing and able to pursue the most aggressive growth oriented economic policies--principally by opening their economies to the world marketplace--are the ones most likely to be the engines of growth on the continent'.

Global inequality

End of the 'Third World'? The notion of a 'Third World' has never been closely defined. As deployed by radical nationalists in the 1950s it was meant to indicate a state directed development path independent of Western capitalism and of Eastern state capitalism. This homogenised a vast range of countries; it also concealed class relations within them and the common interests between their rulers and those of the 'First' and 'Second' worlds. As such it obscured the workings of capitalism. Since the 1970s the main use of the term has been as a shorthand to indicate the gulf between a minority of rich countries and the majority of poor countries of Africa, Asia and Latin America. As an expression of contemporary world inequalities it may then be more significant than hitherto--for such inequalities have become far more pronounced. In addition, it is a useful corrective to globalist babble with its imagined universe of happy consumers.

In globalisation theory the notion of a Third World is rendered meaningless, for the inequalities it implies are said to be disappearing beneath worldwide capital flows. This is Nigel Harris's position in The End of the Third World, published in 1986, in which he argued that a strong tendency to distribution of manufacturing across the globe was transforming relations between rich and poor countries. But neither the notion of a globalised world, nor that of a system divided between First and Third worlds (or North and South) are appropriate ways of depicting world capitalism. The system is best seen as a series of unevenly developed economic and political structures, including nation states and regions, within which capital is mobilised in the constant search for profit.

This system is structured by class. It is true that national economies stand in a hierarchy, with Western
capitalist states at the head and a long tail of Third World countries. But this structure depends upon the maintenance of class relations which cross-cut the hierarchy, tying minorities of the wealthy and powerful in Africa, Asia and Latin America to the centres of world power. The emergence of the NICs in the 1950s and 1960s represented the efforts of capital in a handful of countries to exploit local working classes with enough success to consolidate a stronger position vis à vis other capitals and in effect to climb the hierarchy. The ruling class of South Korea, for example, only accomplished this under uniquely favourable circumstances and as part of the system of world exploitation. In doing so, it both co-operated closely with the centres of power and developed its own distinct interests at the expense of the Korean working class.

The increased internationalisation of capital has made for closer relationships between the subordinate ruling classes of Africa, Asia and Latin America, and the centres of world power. The former have largely abandoned state led development policies in favour of neo-liberal formulas drawn up in Washington, Tokyo and London, which they believe to be beneficial to their interests. But as the outcome of such policies becomes clearer, problems which have always attended co-operation among capitalists (Marx's 'band of warring brothers') have started to re-emerge. These have affected the new trading blocs, global agreements, and local economies and states. There have been a number of preliminary tremors: the US has been unable to drive through its World Trade Agreement; the US and the EU have fallen out over tariffs; and Middle Eastern states promised a new trade deal with the EU have begun to complain bitterly about broken promises. In August 1998 the Financial Times warned of a 'severe protectionist backlash' in the US which could intensify as businesses dived for cover under the protection of the national state. But the real shock has come with repeated currency meltdowns and generalised crisis in South East Asia. This has brought the whole economic orthodoxy into question. Former free market fanatic Mahathir Mohamad of Malaysia has blamed 'foreign capital' and 'speculators' for his difficulties and attempted a move towards autarkic local solutions by banning sales of the ringgit and organising state buyouts of non-performing loans and assets of banks--heresies among his one time friends of the neo-liberal establishment. US financier George Soros--a totemic figure for ideologues of globalisation--has attacked Mahathir as 'a menace to his own country'.

Soros is also in a state of panic, however. To the surprise of the neo-liberals, he has been a leading figure in calling for new structures for supervision of the global market: in effect, he wishes for a global state which will guarantee his own worldwide search for speculative gain. Increasingly perplexed by the instabilities of the world system, he has become a new prophet of global doom, suggesting, 'The collapse of the global marketplace would be a traumatic event with unimaginable consequences. Yet I find it easier to imagine than continuation of the present regime'. Leading US economist Paul Krugman has argued that only extensive capital controls can rescue the Asian economies and that urgent action is needed. These formulas are viewed with alarm by fundamentalist neo-liberals. For The Economist they constitute 'a worrying backlash against free markets'. Third World countries must go on bending to 'market discipline', argues the magazine--only then will they be rewarded with prosperity 'for decades to come'. Increasingly, speculators, industrialists, governments and economic journalists have turned on one another. As one US economist observed, 'The International Monetary Fund blames the national governments, the national governments blame the outsiders, and the populations blame some combination of the two'.

Crisis and conflict: World crisis has intensified conflict at every level of the system. While governments and global institutions attempt to allocate blame, much more costly conflict takes place within and between national states, especially in the Third World. This often has its roots in divisions built into the colonial state by occupying powers, a problem exacerbated by liberalisation policy and by deepening systemic crisis. Regimes under pressure from below may fragment and contending factions attempt to mobilise support on a regional, religious or ethnic basis. The state may implode and basic infrastructure for supply of food or of healthcare may break up, causing vast numbers of people to flee, creating what Zolberg has called 'the exit from the state'. Just such a situation occurred in the Horn of Africa in the early 1990s and in West Africa in the mid-1990s, when millions of people in Liberia and Sierra Leone were displaced. Under these circumstances external powers may attempt to intervene, as in Somalia, which the US invaded in an unsuccessful attempt to re-establish centralised authority--an interesting example of reassertion of structures of the nation state in a 'globalised' era.
Even in less marginal regions economic crisis may produce sudden mass population movements. One response of regimes in South East Asia to the 'meltdown' of 1997 was to target migrant labour. At least 2.5 million workers in Thailand and Malaysia, and 270,000 in South Korea, were identified as a threat to national security. Some were incarcerated and many were deported, especially to Indonesia, Burma and Bangladesh. Attempts by regimes to mobilise national sentiments can also spiral into sudden regional conflicts. Just such a scenario emerged in mid-1998 in the Horn of Africa, where Eritrea and Ethiopia began an armed conflict, ostensibly over territory but which could only be understood in the context of impacts of world crisis upon two very weak economies in which rulers were ready to mobilise all means to ensure their survival.

Struggles from below: The desire within the capitalist class for more solid political structures within the global system is intimately linked to immense pressures from below. Since the deepening of world crisis in the 1970s every region of the Third World has seen the emergence of mass movements which have challenged local regimes and regional power structures. These have often taken the form of protests against IMF adjustment programmes. In 1974 the Egyptian regime was first to declare for liberalisation, launching Sadat's inffitah. It was immediately confronted by widespread opposition and for three years Egyptian society was in turmoil as workers, peasants and the poor engaged in all manner of protests against reduced subsidies on food and fuel, rising prices and rents, and increased political repression. Workers were especially prominent, launching the biggest strike wave since the independence struggles of the late 1940s. In January 1977, following further IMF-inspired cuts, there was a massive upheaval which combined nationwide strikes with demonstrations, riots and prolonged battles with the police and the army. In Cairo, wrote journalist David Hirst, a vast sea of humanity bore down upon the presidential palace:

*The thwarted multitude became...a raging torrent, an uncontrollable force which...unleashed all their pent-up fury on targets which, for them, symbolised the yawning gap between the haves and the have-nots, the frivolity and corruption of the ruling class, the incompetence and blind insensitivity of the administration... It was a despairing protest against the unspeakable conditions in which they had to earn their daily bread.*

Tanks and artillery were mobilised against the movement but it required withdrawal of the price increases--what Hirst describes as an 'ignominious climbdown'--to save the regime. During the 1980s similar protests against IMF programmes affected states across the Middle East: Morocco, Tunisia, Jordan, Lebanon--and Algeria, where in 1988 a prolonged mass movement brought the regime to the brink of collapse. By the early 1990s such events were so widespread that media routinely referred to the 'IMF riot'. But throughout this period partisans of globalisation, with their visions of social harmony induced by the market, preferred to ignore the whole phenomenon of mass action. Meanwhile the Iranian Revolution of 1978-1979--a testimony to the impacts of uneven development and authoritarian rule which mobilised millions of people (and caused deep anxiety among Western states)--was explained away as a manifestation of Islamic perversity.

During the 1990s the pace of struggle has intensified, with an unprecedented wave of protests across Africa, notably in Zambia, Malawi, Nigeria, Kenya and Zimbabwe. These have often been linked specifically to IMF inspired adjustment programmes and their outcomes. In South East Asia the Tiger Cubs have been in turmoil. Suharto, viewed in the West as a model liberaliser, has been brought down by a movement of immense power. In Malaysia the masses have rediscovered a voice after years of repression by the Mahathir regime. The Tigers themselves are in deep crisis: in a recent analysis in the *Financial Times*, investors were warned that South Korea had strong trade unions capable of mounting mass resistance to rising unemployment and that President Kim Dae-jung might be removed. Everywhere, rulers fear not only the 'contagion' of economic collapse but the spread of collective struggle--a 'domino effect' in which resistance is generalised across states and even continents.

Although analysis of recent trends reveals that the spread of manufacturing industry outside the 'triad' networks has been exaggerated, the number of workers worldwide continues to grow. In 1980 in the Third World and former Eastern Bloc countries combined there were 285 million industrial workers (excluding
those in the informal sector); by 1994 there were 407 million such workers.\textsuperscript{150} The working class is not only more numerous but is in general better organised. This is most obvious in some of the newer NICs, where unions have grown with remarkable speed and, especially in South Korea and Taiwan, have proved a potent political force. In countries such as Brazil, India, Turkey and Egypt the working class is especially resilient: in the latter the latest wave of denationalisation measures has foundered on workers' refusal to accept erosion of benefits first granted in the 1950s. And in Africa the protests of the 1990s have been notable for the high level of engagement by organised workers, especially in South Africa, Kenya and Zimbabwe.

Millions of such workers and their families live under conditions which express precisely the character of combined and uneven development. As a leading Brazilian trade unionist has explained, 'Who lives in favelas [shanty-towns] today is the worker of the most sophisticated industries of the country, the worker at Volkswagen, of Philips, of Villares, Mercedes etc'.\textsuperscript{151} Many such workers also retain ties to the land. In 1997 the Egyptian government attempted to dismantle the Nasserist land reforms of the 1950s. This 'liberalisation' of the rural economy, much favoured by the IMF, has implications for millions of peasant families and soon provoked a response as police enforcing eviction orders on tenant farmers were confronted by mass protests. There were also demonstrations in major industrial centres, notably in the Nile Delta city of Mehalla al-Kubra, where tens of thousands of textile workers whose families in neighbouring villages had a vital stake in the land, joined the protests. Alarmed by the prospect of rural resistance combined with mass strikes at the heart of the country's biggest industry, the regime quickly modified its plans.

Mainstream globalisation theory denies such human agency. If human beings feature at all in the globalist account it is passively, as consumers. A similar position is adopted in accounts by revisionists who wish to salvage the global paradigm, suggesting that at best it might be possible to restrain global forces. For pessimists such as Gray we are on the brink of a 'tragic epoch' in which the forces of anarchy threaten humanity and in which we must turn to the works of Hobbes and Malthus for explanations of our predicament.\textsuperscript{152} We would do better to turn to Marx, whose understanding of the dynamics of capitalism both anticipated world crisis and offered a means to supercede its barbarism. Trotsky, too, saw the character of a growing world system and the emergence of a political collective capable of changing it. In 1905, explaining the emergence of societies such as Russia, marked by the process of combined and uneven development, he argued:

\begin{quote}
Binding all countries together with its mode of production and its commerce, capitalism has converted the whole world into a single economic and political organism. Just as modern credit binds thousands of undertakings by invisible ties and gives to capital an incredible mobility which prevents many small bankruptcies but at the same time is the cause of the unprecedented sweep of general economic crisis, so the whole economic and political effort of capital, its world trade, its system of monstrous state debts, and the political groupings of nations which draw all the forces of reaction into a kind of worldwide joint-stock company, has not only resisted all individual political crises, but also prepared the basis for a social crisis of unheard of dimensions.\textsuperscript{153}
\end{quote}

This crisis, Trotsky argued, had an international character, in which local struggles necessarily had a wider impact. Revolutionary upheaval in Russia, he insisted, must place on the agenda the question of world change. A dozen years later the October Revolution had just this effect. Almost 100 years later, with a vastly more developed global economy, the crisis of capitalism is deep and systemic, the class capable of bringing change is larger, more widely spread and showing every sign of increased combativity. It remains, in Trotsky's words, 'the initiator of the liquidation of world capitalism'.\textsuperscript{154}

Notes

Thanks to Gary McFarlane for some valuable data, and to John Rees, Adrian Budd, John Rose and Eli Povey for their comments on the article in draft.

GLOBALISATION AND THE THIRD WORLD

6 UNDP, op cit.
7 Ibid.
8 The Independent, 17 November 1998.
9 UNDP, op cit.
10 Ibid.
12 Financial Times, 8 January 1998.
13 Quoted in The Independent, 10 February 1997.
15 Ibid.
18 Ibid, p64.
19 Ibid. Several revisions of globalisation dismiss early theorists as 'hyperglobalisers' and as 'utopian' (see D Held, D Goldblatt, A McGrew, J Jerraton, 'The Globalization of Economic Activity', New Political Economy, vol 2, no 2, July 1997). Gray also goes to pains to explain 'what globalisation is not', with the purpose of rescuing the idea from those he dubs 'extreme globalisers' (J Gray, ibid, p76).
20 The question of which theory of globalisation to address has also provoked debate among US academics associated with the Monthly Review journal. The exchanges reveal how disorienting are notions of globalisation which accept the globalisers' terms of reference and their contention that a positive world integration has been accomplished. See the articles by Tabb, Du Boff and Herman, and Ellen Meiskins Wood in Monthly Review, June, July-August, and November 1997.
23 Ibid, p195. Globalisers appear to be unanimous in relation to the nation state, which is said to have been weakened or even rendered irrelevant by economic processes. Horsman and Marshall present a typical analysis, suggesting that, 'Effortless communications across boundaries undermines the nation state's control; increased mobility, and the increased willingness of people to migrate, undermine its cohesiveness. Business abhors borders and seeks to circumnavigate them... The nation state...is increasingly powerless to withstand these pressures.' Quoted in I Douglas, 'Globalisation and the End of the State?', in New Political Economy 2:1 (1997), p167.
26 Ibid.
31 M Waters, op cit, p95.
32 Such a view might be seen as merely bizarre or as the 'utopian' vision of a few academics and corporate strategists if it were not one embraced in thousands of boardrooms. Evidence of the reality of world integration and of social harmonisation is seen in the emergence of new social categories such as the 'global teens' said to occupy a 'global space'--a single pop-culture world, soaking up the same videos and music and providing a huge market for designer running shoes, T-shirts and jeans'. These new layers of consumers, whose tastes cross old political and cultural boundaries, are viewed as testimony to the global condition. So for FitzGerald of Unilever we now live in a 'world of diminishing borders, corporate responsibility, individualism and consumer power'. Its true benefits lie in the relations that can be established between business and consumer: in the new era, it is a matter of harnessing the potential of globalization for the consumer and citizen' (N FitzGerald, op cit, p739).
34 Ibid.
35 Ibid.
36 Ibid.
37 Quoted in W I Robinson, op cit, p29.
38 Ibid.
42 The Guardian, ibid.
46 Ibid.
47 Ibid.
50 Ibid.
53 Ibid, p37.
54 Engels on the bourgeoisie in the German Revolution, in F Engels, 'Revolution and Counter-revolution in Germany', in K Marx and F Engels, Selected Works, op cit, vol 1, p300.
55 K Marx, 'The Future Results of the British Rule in India', op cit, p88.
58 Ibid, p51.
61 Ibid, p351.
63 Quoted in A Hoogvelt, op cit, p107.
65 Much of the money in the new networks is associated with the circulation of money itself. What Strange calls 'casino capitalism' amounts to a huge increase in debt, especially private debt, and in secondary speculation against it. According to UNCTAD, during the 1980s the ratio of the size of international bank lending to the size of the world's total fixed investment (a measure of the 'real' economy) more than doubled. By 1992 world indebtedness exceeded even the total gross domestic product of the richest (OECD) countries.
67 P Hirst and G Thompson, op cit, p40.
68 Ibid, p41.
70 J Stopford and S Strange, Rival States, Rival Firms (Cambridge, 1991), pp40-41.
72 M Waters, op cit, p88.
73 P Cerny, op cit, p18.
74 J Gray, op cit, p206.
75 See P Green, 'Debt, the Banks and Latin America,' International Socialism 2:21 (1983).
76 Callinicos comments of this 'parasitism' that it reflected the continuing low rate of return in manufacturing industry: 'a consequence of the crisis of profitability which capitalism entered in the late 1960s and has still to escape' (A Callinicos, op cit, p92).
77 M Waters, op cit, p187.
79 Ahram Weekly (Cairo), 23 April 1997.
80 Quoted in P Cerny, op cit, p68.
81 In a similar development in 1991 Iraq's invasion of Kuwait prompted a mass movement of money from Gulf banking centres such as Bahrain to accounts in London and New York. Billions of dollars moved overnight. See P Cerny, op cit, p69. During the Thai and Malaysian 'meltdowns' of 1997 the Financial Times reported large redemptions of Asian funds in the US, adding that events in South East Asia would prove a source of underlying support for the US market 'as investors flee to quality'. Such rapid movement of capital to traditional financial centres within dominant nation states speaks eloquently of the latters' continuing weight within the world system. See the Financial Times, 30 August 1997.
83 The Observer, 13 September 1998.
84 Financial Times, 12 August 1998.
85 Lending by international banks in Africa, Asia and Latin America rose very rapidly in the 1970s; within a decade, however, the debt crisis and increased general instability had all but brought it to an end. By 1989 lending to Africa, Asia and Latin America was just 11 percent of the global total. (A Hoogvelt, op cit, p83). The earlier debts remained.
88 During the 1960s it accelerated rapidly, reaching an annual increase of 9 percent by 1973 (P Hirst and G Thompson, op cit, pp21-22). By the mid-1990s the rate of growth was unchanged over the level attained a decade earlier (A Hoogvelt, op cit, p71).
90 Ibid, p247.
92 C Kegley and E Wittkopf, op cit, p247.
93 The Economist, 20 November 1993.
94 C Kegley and E Wittkopf, op cit, p265.
95 A Hoogvelt, op cit, p73.
97 Ibid, p59.
98 M Waters, op cit, p76.
99 A Hoogvelt, op cit.
100 P Hirst and G Thompson, op cit, p55.
102 A Hoogvelt, op cit, p77.
103 Financial Times, 1 October 1997.
104 Ibid.
106 P Hirst and G Thompson, op cit, p68.
107 Ibid.
110 C Harman, op cit, p14.
111 R Kiely, op cit, p105.
112 Ibid.
114 W Ruigrok and R van Tulder, op cit, p164.
115 A Hoogvelt, op cit, p140.
116 W Ruigrok and R van Tulder, op cit, p151.
117 R Kiely op cit, p104.
118 N Harris, op cit, p192.
119 A Callinicos, op cit, p93.
121 N Harris, op cit, p30.
125 Ibid, ch 3.
129 Ibid.
130 Investment Week, 21 September 1998.
132 Ibid.
137 Ibid.
138 C Barshesky, quoted ibid.
139 Financial Times, 29 August 1998.
141 Quoted in J Gray, op cit, p1.
143 Ibid.
145 E Zolberg, A Suhinke and S Aguay, Escape from Violence, the Refugee Crisis in the Developing World (New York, 1989), p44.
149 Rulers of the dominant world states also face the reality of crisis and of widening inequalities at home. In its 1998 report the UNDP noted for the first time that vast numbers of people in Western countries are in poverty. In developed countries, it noted, more than 37 million people are unemployed, 100 million people are homeless, and 100 million are below the poverty line. Unevenness within such countries is also becoming more pronounced. One US government official has admitted, 'A child born in New York in the 1990s is less likely to live to the age of five than a child in Shanghai. A child born in Bangladesh has better life expectancy than a child born in Harlem.' He warned of the consequences if such problems were not tackled (L Summers, US Deputy Treasury Secretary, quoted in The Independent, 10 February 1998).
151 Ibid, p209.
152 J Gray, op cit, p207.
153 L Trotsky, op cit, pp107-108.

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