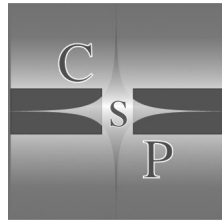


The Dialectics of Globalization

The Dialectics of Globalization:
Economic and Political
Conflict in a Transnational World

By

Jerry Harris



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The Dialectics of Globalization: Economic and Political Conflict in a Transnational World,
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PREFACE

My understanding of globalization grew out of a study of information technology (IT) with a small circle of friends that includes Carl Davidson and Ivan Handler. Both Carl and Ivan were involved in the computer industry and I was teaching at a University that had a strong focus on communication and information technologies. A few years before, I had been laid-off from a Chicago steel mill where I was in that last generation of industrial workers that once defined the community and life of the city, now caught in a changing world of new technology and global competition. Inside the mill we were surrounded by huge machines, clouds of red smoke and molten rivers of iron flowing down the blast furnace floors. But behind the furnaces a bank of computers were clicking away and numeric control machines were rapidly displacing skilled journeymen. From my view on the shop floor I could see the tools of production were changing, changing our relationship to our jobs, and the relationships that had built a way of life in the working class neighborhoods of the Southside.

Eventually my mill, along with many others, shut down and I launched myself back into school. But my experience in the great social and technological transformation at the end of the industrial era helped to create perceptions and questions that I continue to research and contemplate even now. This book, *The Dialectics of Globalization*, follows the path of those questions as they unfolded over a number of years.

Section I lays the foundation for our study of globalization by investigating the world-changing impact of information technologies on the organization of production, finance and class relations. The section begins with a broad overview of how transnational corporations have used the new technologies to transform the global economy and its affect on nationally based citizenship. Chapter Two goes on to take a deeper look into the development of IT as the key economic component of global capitalism and how new IT CEOs constitute a powerful stratum within the Transnational Capitalist Class (TCC). The last chapter in Section I offers a discussion on new theories of value and how knowledge, captured in information and digital technologies, has become the defining element in the creation of wealth.

Section II turns its attention to a detailed analysis of the TCC, its political divisions, debates and economic competition. Chapter Four argues that the capitalist class has undergone a fundamental transformation, outgrowing its

earlier nationalist forms to evolve into a class whose fundamental interest lay in circuits of global accumulation. The next chapter explores the political divisions and ideological fissures within the transnational class, particularly as they play out in the World Trade Organization, International Monetary Fund and World Bank in their response to world economic upheavals. The last chapter in Section II argues that new forms of economic competition have developed that displace national competition associated with the industrial era and old international order. This chapter rejects the common viewpoint that globalization is a project of the US empire, instead showing how the new world order is a reflection of the reorganization of production on a transnational scale.

Section III is an exploration of how globalization affects different nation-states according to their own unique histories and cultures. Chapter Seven and Eight look at the United States, analyzing the political and economic contradictions between nationalist and globalist factions within the elite circles of powers. Chapter Seven first investigates the George W. Bush administration, its ideological foundations and mission to establish a unipolar world after the fall of the Soviet Union. Chapter Eight makes a detailed examination of the Military/Industrial Complex (MIC) as the social, political and economic base of US nationalism. Throughout both these chapters globalists' policies are counterpoised to the hegemonist to show their numerous points of conflict over foreign policy, the war in Iraq and global trade. Chapter Nine turns to Germany as the most important economy in Europe, exploring how German globalists are transforming and clashing with the social democratic tradition of European capitalism. Lastly, Chapter Ten faces south to look at the emerging Third World countries of China, India and Brazil and how they are using globalization for economic development and challenging the balance of world power.

The last section and chapter is devoted to globalization from below and the growth of alternative political and economic movements that have erupted from the soil of neo-liberalism. These movements encompass the state, civil society and markets developing their own unique character, quite different from the oppositional movements and socialist parties of the last century.

As my ideas have developed over a number of years sections of different chapters have appeared as parts of journal articles. These chapters have been rewritten, updated and extended. Sections of Chapters Four, Five and Six can be found in *Science & Society*, 64:1, 67:1, and 69:3; sections of Chapters Two, Seven, Eight and Ten can be found in *Race and Class*, 40:2, 44:2, 45:2, and 46:3; and a shorter version of Chapter Nine was printed in *Nature, Society and Thought*, 18:3.

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I would like to thank a number of people who have helped to develop my thinking and encourage me in my investigations and writing. Without the love, support and work of Veronica Seizys this book would never have been completed. My brother, Paul Harris, who read and edited every paper I've written since the 11th grade. My parents, Rose and Syd, who showed me that love is truly the greatest quality of revolutionaries. My uncle Fred Fine, who through hundreds of discussions, schooled me in the use of dialectics. My stepfather, Jerry Atinsky, who encouraged me to read my first philosophical and political essays. My son Keith, for keeping it real. My thanks also to Carl Davidson, Ivan Handler, William I. Robinson, Lauren Langman, Mel Rothenberg, A. Sivanandan, Hazel Waters, David Laibman, Larry Fine, Jim Davis, and Abdul Alkalimat for encouragements, insights and all those long discussions that keep one thinking.

SECTION I:
CAPITALISM AND TECHNOLOGY
IN THE ERA OF GLOBALIZATION

CHAPTER ONE

THE TRANSFORMATION OF CAPITALISM

Capitalism has entered a new era of accumulation and production commonly known as globalization. Changes sweeping the world have created economic tensions, political upheavals, new wealth, and the destruction of old social relations. While the essential character of capitalism with its dynamic drive for profits has not altered, information technology has laid the basis for new forms of competition and organization. These are reshaping the world as each country faces the challenge of transforming their old industrial system to the demands of global production and finance.

Capitalism gave birth to the modern nation state; its economic form is historically bound to its political structure, and the social relations it created. But globalization operates in a manner that undermines the industrial era nation state. This process unfolds on interrelated levels of production, finance and culture. Transformations are occurring in the mode of production and the way wealth is created; in a new global regulatory structure; in the redefinition of sovereignty and state control of the economy; in the restructuring of the world labor force and its social entitlements; and a new ideology of borderless free markets. But before we investigate these changes, we need to examine the recent history of industrial society to obtain a fuller understanding of the transformation between these two eras of capitalism.

Industrial Era Capitalism

For 200 years industrial capitalism was an expanding and dynamic system. Although punctuated by cycles of economic crisis, it grew into imperialism and built a world market. In the metropolitan countries the circle of wealth expanded, business and markets grew and workers organized unions and attained better living standards. But in the early 1970s industrial capitalism faced significant limitations to its growth. This crisis was all sided, including labor, technology and nature.

While every periodic crisis has causes internal to the general nature of capitalism, each crisis also has its own historic context. The crisis of the 1970s ended the long cycle of expansion that occurred after the end of World War II

(WWII). At that time the following four features gave rise to a tremendous expansion of the US economy and industrial base:

1. First, and most important, was a period of vastly reduced competition from foreign rivals. The post-1945 world was America's market because the industries of Europe and Japan had been destroyed by the war. In such circumstances US capitalism quickly grew with an expanded job base.
2. This was coupled with a tremendous demand for both consumer goods and basic industrial equipment and plants. As a result of depression and war there was a 15-year pent-up demand for homes, cars, refrigerators, and much more. The growing popularity of autos played a particularly important role as it promoted development in other industries such as oil, rubber, steel and highway construction. The organization of basic industry by the Congress of Industrial Organization led to a large-scale post war labor offensive that won significant gains in wages and benefits. This set the social conditions for accumulation, laying the foundation for the post-war boom, the creation of the suburbs and the growth of the blue-collar "middle class."
3. Alongside the demand for consumer goods, was an intensified demand for capital goods—the need for new factories and heavy equipment, not only in America, but also throughout Europe and Japan. This meant further expansion and the profitability that allowed the liberal social contract with key sectors of unionized labor.
4. Lastly was the development of new technologies that produced large-scale industries and jobs. Jet airplanes, electronics, and the chemical industries surged forward with resulting spin-off economic activity spreading throughout society.

These strengths also increased the power of international financial institutions. The Breton Woods agreement set the gold standard to the US dollar, which then became the sole international currency. And the International Monetary Fund and World Bank were established as arms of US finance capital.

A vital part of this growth was the state's expanded role in reproducing what environmentalist James O'Connor calls the conditions of production.¹ This includes the use and reproduction of land, nature, urban space and labor power itself, in the form of the next generation of workers. It became the state's role to assume the cost and regulation of these conditions through policies on education, health care, welfare, transport, zoning, water, forest and many other examples. It was during the Great Depression that capitalism turned to the state to stabilize the economy, when to resolve the crises of overproduction the government began to regulate more aspects of the market and assume greater cost in maintaining the economy. This was particularly important in the postwar

recovery period, and economic growth lasted about 25 years. But the underlying problems of overproduction and market saturation eventually became evident. Living standards could not continue to rise and the tensions between wages and profits emerged in full force creating severe economic stagnation.

Alongside structural limits on the market and wages was the problem of increasing the scope of reproduction which increasingly stressed the ability of society to bear the cost. Industrial capitalism needs to grow. Not only is it pushed by the need to accumulate; its nature is characterized by an expanding mass society. Mass production, mass markets, and mass consumption are all part of industrial civilization. Therefore more space, more materials, more energy and more labor are continually needed for expansion. This addiction to growth and the externalization of the cost led to the environmental crisis in nature and also in our cities and infrastructure.

The crisis of the early 1970s began with the reintroduction of fierce competition from Europe and Japan. President Richard Nixon was forced to recognize this when he ended the Breton Woods agreement in 1971 and the dollar began to compete with other currencies. By 1973 US profitability had fallen to 9.5 percent compared to 16.5 percent in 1952. This renewed competition meant the liberal social contract between labor and capital was coming to an end. The crisis hit full force in the 1980s when unions were forced into contract concessions resulting in billions of dollars in givebacks throughout the economy. While this helped profits, it meant less money for consumption causing living standards to drop after 1973. By 1993 real weekly earnings were down by 19 percent, and the average net worth of an American household had fallen by 12 percent. The results were staggering—US income dropped from number one in the world to number ten.

Drastic drops in working-class income were also accompanied by large cuts in welfare and urban spending. Just as corporations pushed to lower the cost of production they also engineered a reduction in state spending. An important tool to regain profitability was large cuts in corporate tax rates. But as federal and local governments lost funding the state was driven into debt and crisis, cutting costs by attacking social programs and letting the environment and the infrastructure decay.

Information Capitalism and Globalization

In the midst of this crisis was the birth of startling new technologies. Developments in computers, microelectronics and telecommunications were a revolutionary development in the means of production that propelled the industrial era into the age of information capitalism. The application of knowledge now became the primary means in the production of new value; and

intellectual capital, developed and held by knowledge workers and encoded in software and smart machines, emerged as the key elements in the creation of wealth.

This technological revolution had a dramatic impact on finance and manufacturing, freeing capital to build a new global economy to escape its national restrictions. Costs came down, markets expanded and the old slogan, “What’s good for General Motors, is good for America” faded away. That motto, of the most powerful US industrial corporation, reflected an economic era that sought to develop a middle class consumer base for a stable national economy. Corporate strategy was national strategy. Now transnationals have set their sights on world markets and relegate their national strategies to a secondary position. As A. Sivanandan has astutely observed in his reading of Karl Marx:

The qualitative changes brought about at the level of the forces of production have brought about changes in the mode of production which, in turn, have led to changes in social relations. If ‘the handmill gives you society with the feudal lord and the steam-mill gives you society with the industrial capitalist,’ the microchip gives you society with the global capitalist.²

The application of new information technology has meant that industry can produce more with fewer resources, less energy and less labor. Plastics have replaced metals, fiber has replaced copper, and chips are made of sand and clay. By 1988 the US required only 40 percent of its blue-collar labor force to produce the amount of manufactured goods equal to that produced in 1977. For example, cars use to contain 1600 pounds of steel; much of that weight is now replaced with plastics. Thus the application of intellectual capital—in this case in the form of design—has meant the drastic reduction of both physical capital and the labor force.³

But the restructuring goes much further. Because the speed of processing information has increased, on-time warehousing, niche marketing, and the elimination of middle management became possible. Industrial society produced mass products in large factories with a giant labor force. This necessitated a huge number of middle managers to count production, oversee workers and move information along the command hierarchy. Now the rapid acquisition and deployment of information is the primary goal of management, and corporations have restructured to insure its movement. With expanded information technology and cuts in employees, middle managers are a disappearing breed and products move from the factory floor to market shelves faster and with minimal warehousing. The shift in power is clearly seen in the changing positions of the manufacturing and information companies. By the late 1990s

the stock value of industrial era giant General Motors had shrunk to \$30 billion while the stock of Microsoft rose to \$300 billion.

The technological revolution has also deeply affected global manufacturing and commodity production. Anything can be produced anywhere, and sold everywhere. Skills and jobs are transferred worldwide, with the production process itself fragmented between different countries. Of the 100 largest economies in the world, 52 are transnational corporations. While centralized control remains in the hands of a few, there has been a deconcentration of production away from the old industrial urban centers of the North. When new industrial factories are built in Mexico, Thailand, or Indonesia they don't look like Henry Ford's River Rouge did in 1935. These plants use the most up-to-date computerized production methods, increasing their profits through both low wages and technological advances in productivity.

Ford's plant in Hermosillo, Mexico is a good example of a modern global factory and has the best quality and production rates in North America. Hourly labor and benefit costs are \$2, compared to \$30 in Detroit. That translates into a boost of \$672 in profits per car. In Chihuahua, Mexico, Ford has built a state of the art factory with automated capital-intensive machinery. There is an average of 12 unemployed workers applying for every available job. Training goes on at a local technical college with graduates going directly to Ford, and workers are paid half the wages of other Mexican autoworkers, and only at two-thirds the benefit level.

World production has also changed how commodities are put together creating global assembly lines coordinated by real-time flows of information. As Former Citibank CEO Walter Wriston explains, "The popular IBM PS/2 Model 30-286 contains a microprocessor from Malaysia; oscillators from either France or Singapore; disk controller logic array, diskette controller, ROM and video graphics array from Japan; VLSO circuits and video digital-to-analog converter from Korea; and Dram from Singapore, Japan, or Korea—and all this is put together in Florida...Since there are thousands of such products put together in similar ways, the old concept of trading one item for another is obsolete."⁴

In the computer industry both high- and low-end jobs are done worldwide. Data processing centers and backroom work is spread from Manila to Ireland, and around the globe to the Bahamas. The time it takes to send work from New York to India differs only in seconds from the executive sending work to a secretarial pool downstairs. International data centers are doing everything from credit checks, library catalogs, to patient records and Playboy articles. At the high end of software writing are new centers such as Bangalore, India, where universities are producing tens of thousands of programmers a year. The results have been home-grown computer businesses that receive work from Motorola, IBM and other world-class transnationals. These knowledge workers compete

with American graduates at about five dollars an hour, a middle class wage in India.

The new methods of production, made possible by the technological revolution, transformed the world's economic map. By 1997 there were over 100,000 transnational corporations, the sales of the largest 350 equal to one-third of the GDP of the industrialized countries, yet this small handful of corporate giants held more than 25 percent of the world's stocks and assets. Furthermore, transnationals held only half or less of their assets in their country of origin. Clearly the era of nationally based industrial production was gone.

Information Capitalism, Finance, Wealth and Power

As the world economy changed transnational capitalists were at the heart of the process. In its early formation this new global capitalist class was led by two basic economic sectors, finance and the digital economy. The digital economy is in computers, telecommunications, media, phone and the cable industries. Those corporations took the lead in conceiving, developing, and producing the new tools of production, and in building its infrastructure. But finance quickly understood how to use the new infrastructure to expand markets in a spectacular fashion creating the vast and rapid movement of speculative capital. This was much easier and quicker to accomplish than building the global manufacturing system.

The digital and electronic transfer of information via satellite, telecommunications, fax, and modem created an instantaneous and interconnected world of finance unlike previous times. The ability of these new means of communications propelled money into speculative activities unrelated to the production of useful commodities. Nearly \$1.7 trillion a day circulates in the biggest global market in history simply revolving around money buying money in a speculative gamble on the cost of currency. Just as industrial technology directed money away from land and into the factory system, information technology has propelled investment away from manufacturing and into global speculation. This is an interconnected process driven by the needs of capitalist accumulation combined with the abilities of the new technology.

To get an idea of just how big the financial markets are we need to review some figures. The total value of financial assets traded in global markets by 1992 was \$35 trillion, twice the GDP of the 23 richest industrial countries. Daniel Singer points out that,

Daily international transactions now exceed on an average the astronomical figure of one thousand billion dollars, that is to say more than the total gold and foreign currency reserves of all the members of the International Monetary Fund (IMF)...Financial capital now reigns supreme.⁵

Since 1980 these assets grew at two and half times the rate of the US GDP with estimates putting their total value at \$83 trillion by 2000.

This makes the buying and selling of money the biggest financial market in the world. Exchange transactions are 60 times larger than world trade in manufactured goods. In fact, five of every six dollars that move in the world economy travel via electronic transfer. The currency markets never close. Forty-five percent of the activity occurs in Europe, 30 percent in Asia, 15 percent in the US, and the remaining 10 percent spread out in Third World markets. This trading revolves through world time zones 24 hours a day where billions of dollars are traded with eight-cent phone calls. Speed is so essential that software creating a ten second trading advantage for Bankers Trust added millions to their profits.

One result of the explosion in financial trade has been the worldwide growth of stock markets. The \$13 trillion listed in integrated markets can circulate the globe in seconds. New markets exist in Brazil, Argentina, Thailand, Taiwan, Russia and 65 other countries. The 1980s was a period of massive financial innovation. As pointed out by Saskia Sassen, “any concentrated pile of money has become attractive to traders.”⁶ Third World debt is an interesting example of how imperialism renewed forms of old domination by using electronic markets. After collecting years of interest payments but still owning the principal, banks will sell the remaining debt for half price to other banks who will continue to collect interest. Some Third World governments seeking to escape debt have traded equity and stock in state-owned corporations surrendering to the neo-liberal logic of privatization. Most coveted by international financiers are assets in financial services and communications.

Information technology has so transformed banking and financial activity that Sassen contends we “lack an analytical vocabulary”⁷ to properly describe the changes. Economist Felix Rohatyn gives us a picture of this new production of wealth as he describes people who

buy and sell blips on an electronic screen. They deal with people they never see, they talk to people on the phone in rooms that have no windows. They sit and look at screens. It’s almost like modern warfare, where people sit in bunkers and look at screens and push buttons and things happen...⁸

This is certainly a new type of worker in a new environment, creating a new type of value. Value alienated from social production and solely based on information.

As Walter Wriston points out, “in the age of global banking, selling rapid information about money is the key to making money.” In an electronic world the value of money is based on an exchange of information. Information based on an analysis rooted in the political bias and economic philosophy of several

thousand transnational capitalists and money managers. Value grows or shrinks based on what governmental policies and economic activity they believe is best for their money. Money that increasingly looks for quick results based on the ability to rapidly manipulate it through the new digital technologies.

An example of this activity was the crash of the Mexican economy in the early 1990s. The peso became overvalued driven by financial speculation and the huge investments of international financiers. When these electronic capitalists decided to withdraw their billions, (accomplished in less than three days) it was based on their analysis about Mexico's political instability spurred on by growing evidence of corruption in the Salinas government and the Zapatista rebellion. Their ideology did not consider alternate solutions, such as the promotion of real value-added activity based in manufacturing, the support of local businesses, the creation of jobs, and the protection of homeowners. Bankers recovered their profits, but at the expense of millions who suffered a deep economic depression.

An astute observer of Latin America, Fred Rosen states Mexico is no longer in control of its national economy:

As the multinationals become proxy governments, and transnational banking institutions become truly global, being the president of Mexico has become much like being mayor of Detroit. And soon being the head of a national bank like Mexico's Banamex, will be like being a branch manager of Fleet Bank in Poughkeepsie, N.Y.¹⁰

Writing in 1996 Rosen's insights foresaw US and European financial interests acquiring most of Mexico's banking industry over the next seven years.

It is interesting to note how the banking industry views the global market place, and here the strategy of Citibank is worth some attention. This bank, under the leadership of Walter Wriston and then John Reed, has innovated some of the most important changes in world financial markets. Citibank chose to focus on the top 15 percent to 20 percent of the world market, because the bottom 80 percent of the world's people simply doesn't have enough money to be considered important. As Reed stated, "There are five billion people living on Earth. Probably 800 million live within societies that are bankable."¹¹

Reed's ideas have strong sway. In a knowledge economy, education becomes the key point of access. To use and buy financial products and to be part of the new economy depends on your level of education and access to information. In most parts of the world, class and access to good education are closely linked. As Reed observed,

We made an important discovery that drove everything we did later...People's attitude about finances are a function of how they're raised, their education, and their values, not of their nationalities.¹²

Class, not national identity is the unifying theme. A world upper middle class ruled and cultivated by a Transnational Capitalist Class is the vision that drives this economy. A world divided between information rich and information poor.

This understanding drove Citibank's credit card strategy in the Third World. When Citibank looked at Asia they saw ten million people making \$30,000 or more outside of China and Japan. The best way to find them was simply the phone book. Over 50 percent of the world's population has never even made a phone call. Only the wealthy have phones, and of course phone lines are a necessary tool of the new economy. So in looking at markets in India, where computer use is growing at 25 percent a year, Pei-yuan Chia, head of Citibank's global consumer operations was able to say; "Forget about 90 percent of the people, and focus on the top 10 percent. That's 80 million people"¹³

Banks are no longer the only financial players, or even the most important. Trillions of dollars are invested through financial houses, investment firms, and insurance corporations. In 1980 Citibank was the largest in the world, and twice as large as any other US bank. By 1992 it dropped to number 20 among world banks while among the ten largest banks eight were Japanese and two French. In fact, by 1989 the 13 biggest Japanese banks had five times the capitalized value of the largest 50 US banks. The banking industry has continued to transform, particularly through mergers and acquisitions that have helped put Citicorp back in the very top ranks of global banking. But the changing positions of the world's top banks point to the global character of capital, as well as to the fact that many US investment firms have outgrown most US banks.

Another huge pool for international investors is the bond market. Governments seeking capital to run their social and military programs sell bonds. But bond debt creates political constraints on government policy. Bond ratings are tied to assumptions about what constitutes good economic policy. That translates into narrow market efficiencies from which money managers can manipulate the bond market to brake social spending. From their point of view corporate efficiency should cause unemployment, which is of little importance unless governments respond with financial assistance. Since social programs are seen as inflationary, which devalues money; bondholders can dump their holdings, drive up interest rates, slow economic growth and halt government spending. It's what Wriston likes to call: "asserting control over government, disciplining irresponsible policies and taking away free lunches."¹⁴ In the US 45 percent of all bonds are held by 1 percent of the population, and 17 percent by foreign interests.

Although the knowledge economy has laid open the world to capital penetration, it has concentrated its command and control structure to world-class cities. Power is based on new spatial and territorial concentrations where Sassen argues “top level financial, legal, accounting, managerial, executive, and planning functions” occur.¹⁵ While many of these services are contracted out, they nevertheless take place in a handful of international cities such as New York, London, and Tokyo. As Sassen notes,

The more globalized firms become, the more their central functions grow: in importance, in complexity, and in number of transactions. The sometimes staggering figures involved in this worldwide dispersal demand extensive coordination and management at parent headquarters.¹⁶

This complex coordination of global markets is made possible by the speed and reach of information technology but with a centralized territorial aspect. They take place in enclaves in world cities situated in both the North and South. There are wired and affluent blocks in Manila, Mexico City, and Shanghai, as well as Frankfurt, Paris and Los Angeles. While this global process has brought Third World enclaves into the advanced centers, vast stretches of New York and L.A. look, feel, and contain conditions that parallel the poorer areas of the world.

Information Capitalism and Labor

Third World poverty in first world cities reflects the changing relationship between capital and labor. By using production and technology in new ways globalization transforms socioeconomic classes. The deconcentration of manufacturing, coupled with its flexibility, leads to a weakening of unions and the strengthening of capital. But even deeper effects are evident. Significant changes in work categories and labor stratification is occurring, with growing part-time and temporary work that now encompasses about 30 percent of the workforce in developed countries. Using the capacities of information technology manufacturing is organized around global assembly lines on the basis of real-time coordination and assembly, while in finance and information jobs can be broken down into specific data areas and electronically reassembled. This reengineering of global labor is similar to how Fredrick Taylor created industrial assembly lines through the specialization of jobs to their minimum specific operation. The result today is the creation of global labor stratification where high- and low-paid workers and skilled and unskilled jobs are spread throughout the world. A product can be built and assembled across national borders, with corporations assigning specific tasks to the country with the best mix of costs and skills.

In the US manufacturing jobs have shrunk from 33 percent of the labor force in the 1950s to about 12 percent today. The losses began in the 1960s and turned into a flood by the 1980s. Many of these jobs have been exported to a global labor force as technology has made the transfer of skills easier. By 1997 there were 175 manufacturing free enterprise zones in the world employing four million workers, 2.6 million of whom are young women. In Indonesia Nike pays its workers 82 cents a day. Their cost per shoe averages \$5.60, for a product selling from between \$75 to \$135 a pair. Michael Jordan made \$20 million for his advertising contract with Nike, while the 12,000 mostly teenage girls working for Nike in Indonesia earned a total of \$5 million a year. But the transfer of jobs has not been a one-way street to the Third World. BMW went to South Carolina where they pay \$12 an hour, rather than the \$28 an hour wages paid in Germany. The flow of jobs and capital is happening everywhere.

Within the US technology has raised productivity in the manufacturing sector, with many industries using just half the workforce of the past. The productivity gains of robots and numerical control machines were first evident in blue-collar jobs before the advent of the PC revolution in office work. For example, in the 1980s Ford cut hours by 47 percent while gaining 57 percent in their levels of productivity. New technologies have also been used to control the labor process with just in time production, work by stress, flexibility, and lean production methods.¹⁷

I was personally able to observe the effects of the new technologies as a machinist apprentice at US Steel in South Chicago. A machinist is a highly skilled worker and it takes five years of work and study to become a journeyman. There are half a dozen different machines to learn how to operate. We studied three-dimensional blueprint reading, metallurgy and trigonometry at the mill school. Different metals are cut at different speeds for different jobs and held to tolerances of .003. All in all, it was an interesting job that demanded a broad range of skills and knowledge. But numerical technology took all the knowledge we held in our minds, and all the skills we held in our hands, and encoded them on a chip. The chip was put in the machine with an attached computer board. In the morning the foreman would give us a code of letters and numbers that took a few minutes to punch into the board, and for the rest of the day the machine would run itself. A highly-skilled programmer turned highly-skilled factory workers into unskilled labor.

Of course, the mill no longer needed fifty lathe machinists standing around watching their machines work. So lay-offs began. First, all the apprentices were let go. This included almost all the women, Blacks and Latinos who had only gotten into the machine shop a few years before under affirmative action. The process of change continued as new technology made mini mills more profitable and our large integrated mill was shut down. US Steel became USX and

diversified its operations to oil, real estate and shopping malls, while its hundred-year relationship to steelworkers in South Chicago came to an end. Changes in the mode of production had changed social relations.

The changes in Chicago typified the decline of manufacturing and the development of more flexible and decentralized forms of production that produced a fragmentation of the working class and diminished the political power of labor. Not only has capital been able to do away with mass production lines, but also move work from one cheap labor pool to another on a global scale. In 1975 you could still find many factories in the US that employed between ten to 20,000 workers in one concentrated location. Today there are only a handful of production sites where more than three or four thousand workers labor together.

The South Chicago community in which I lived and worked underwent this very transformation. Steel production dominated the thirty-mile arc from Gary, Indiana, to South Chicago for over a century. In my neighborhood, young men graduated from high school to go to work in the mills and retire forty years later into the same community they grew up in. The union hall was a place for Christmas parties, weddings, dances, retiree gatherings, city ward politics and hotly contested union elections. We had steelworker baseball teams in the parks, and the streets were filled with the same people you worked with. There was a collective identity and solidarity, and a base for mass political movements. Here, workers were killed in the 1930s while organizing the Congress of Industrial Organization, their pictures still hanging on the lobby walls of the union in 1980. Immigrants from southern and eastern Europe built their churches and fought for a better life. And here too, Blacks and Latinos raised their families and battled corporate racism for affirmative action access to skilled jobs. Little of this exists today.

Two of the three large integrated mills in South Chicago are leveled, and the third is a shadow of its former self. The union halls are shut and no longer serve as a center of community activity. Young men in high school go into gangs, not the mills. Women board the train to work in financial and maintenance service jobs downtown. And the men do whatever they can to help the family get by. Some still work in steel fabrication, some fix cars in their backyards, others remain unemployed. The class is fragmented and decentralized. The economic base that gave this community its life and identity has changed. The relationship that existed between capital and labor, which produced a dense mass and common community of steelworkers is gone, and so too the politics and culture of the industrial era.

Now contingent labor that includes part-time, temporary and homework is the fastest growing category of workers and includes both skilled and unskilled labor. By 1995, 60 percent of all new jobs were contingent and 60 percent of all

new jobs earned below \$20,000 a year. Low-wage contingent labor matches the new organizational capabilities of technology. As information speeds up, so too does production and the turnover of commodities in the market. This demands greater flexibility in order to exploit the potential presented by the new tools of production. Thus the restructuring of the labor force into a more easily disposable pool of workers allows capital to respond more quickly to its own needs. The use of the technology is driven by the needs of accumulation, the technology does not drive the new organization, only makes it possible. But the possibilities are revolutionary, and this is what important sectors of capitalists realized.

One last significant change needs to be mentioned. As the new work relations become global, new waves of immigrant workers sought jobs across borders. When capital goes global, so does labor. The number one export of Bangladesh and Jordan are workers. Jordan earned more from its citizens sending money back home than its total export of goods, and earnings sent home to Latin America from workers abroad total more than the entire amount of foreign aid. In Los Angeles 40 percent of the population is foreign born, and New York reflects the same pattern. But not all of this is unskilled labor. Foreign-born students in the US earn 50 percent of all math, computer science, and engineering degrees. About 40 percent of all new patients in the computer field are from immigrant workers, and in Silicon Valley almost half the workforce is foreign born. There is global competition for intellectual capital, and the US is still leading the race. But as knowledge spreads important centers of new technology have sprung up in India, South Korea, Taiwan, China, Brazil and other countries in the South. In part this has occurred because of investments by high-tech transnational firms, but local economic development has also played an important role. So while immigration continues to grow, access to high- and low- skilled workers becomes even more available to transnationals both at home and abroad.

Changing Ideology and Politics

With rapidly developing new forms of power and wealth, state institutions, legal structures, and ideology transformed to correspond to the new socioeconomic conditions. In comparing industrial era imperialism with globalization we can see significant differences. Imperialism was based in nation-centric structures and tied to the sovereignty and development of the nation. A key aspect of imperialism was the homeland social contract that expanded the middle class and brought social entitlements for large sectors of the working class. These benefits were afforded in large part by the exploited wealth of the South. In fact, nationalism replaced class struggle as the dominant

ideology within the working class and society as a whole. That was starkly evident by the support for World War I in the European socialist movement.

As Rudolf Hilferding pointed out,

For the imperialist this nation is real; it lives in the ever increasing power and greatness of the state, and its enhancement deserves every ounce of his effort...the national idea becomes the driving force of politics. The common action of the nation, united by a common goal of national greatness, has taken the place of class struggle, so dangerous and fruitless for the possessing classes.¹⁸

Nationalism, not globalization was the ideological context of industrial imperialism. As imperialist countries conquered the world, they made their new territorial possessions part of their own nations, and closed international markets for their exclusive exploitation. It was this monopolization that led to World War I and Germany's attempt to redivide world markets.

Today's ruling ideology sees no national borders, only markets. The creation of jobs and a growing middle class is not an object of globalization. International financiers could care less about the inner city working class in Detroit or Chicago beyond their own immediate service needs. The spreading waves of unemployment which helped sparked the L.A riots in 1989 didn't create the same fear of class war that haunted Europe in the time of Karl Marx. Today's capitalists just sit down at their computers and transfer their money elsewhere. The political response isn't to create new jobs, but throwing people off of welfare. This growing hostility to and criminalization of the poor is a political reflection of global capitalists disconnected to national development. When the chairman of Dow, Carl Gerstacher, dreamed of buying "an island owned by no nation," he expressed the hidden desire of his class. In fact, international finance has made the Cayman Islands the fifth largest economy in the world by establishing offshore non-taxable corporate headquarters on the tiny island.

These changes are undercutting the idea of citizenship that arose with the building of modern industrial nation state. In the French Revolution democratic inclusion was born within a philosophy of national citizenship. The mass struggle to expand voting rights created some popular control over the nation's economic and political decisions. Entitlements extended citizenship to welfare, education, and health. All of these rights revolved around state mediation and guarantees. But globalization is reducing citizenship to an economic status, succinctly articulated by Margaret Thatcher's statement that there is no society, only individual men and women. We are now to be simply economic beings with no social existence, negating the state's social responsibility. Those with a good job live in a nice community, with excellent schools, safe streets, polite police, and politicians who return your calls. Those without jobs live in projects,

with rundown schools, abusive police, and politicians who make you the cause of every problem in society. One is a citizen, the other criminalized, whether it's poor Blacks in America or poor Arabs in France. This truncated citizenship fits hand in glove with the marginalized contingent work force, and the changing relationship between capital and labor. But as the specter of unemployment spreads, the legitimacy of government shrinks. If citizenship is only based on economic well-being those outside that constricting circle become political outsiders moving to the right, the left, or into nihilistic rebellion.

Instead of one-man one-vote, globalization is based on one-dollar one-vote. The control of massive amounts of money creates an exclusive club that Sassen suggests is a cross-border economic electorate. It is a return to property based voting rights, but on an international scale. This electorate has its own economic policy objectives that undercut social and productive investment. Although cloaking their ideology in economic efficiency their bias affects taxes, public spending, credit control, interest rates, exchange rates, and income. As a former International Monetary Fund (IMF) official stated,

International capital is extremely powerful. Nobody can stand in front of it. The ability of financial markets to impose discipline on government policies...is nothing less than amazing.¹⁹

This is no surprise given the amount of money under control of international investment funds. In an example from 1996, three large firms based in San Francisco had at their disposal \$12 billion while the US government's annual foreign aid budget was \$7.3 billion.

Wriston, speaking for transnational capitalism, gives clear expression to the idea of electoral democracy as an international system:

Financiers take a vote on the soundness of each country's fiscal and monetary policies. This giant vote-counting machine conducts a running tally on what the world thinks of a government's diplomatic, fiscal and monetary policies and this opinion is immediately reflected in the value the market places on a country's currency.²⁰ If your currency becomes worthless, the world knows about it very quickly. If your economic policies are lousy, the market will punish you instantly. I'm in favor of this kind of economic democracy.²¹

Here we find a new definition of democracy that excludes 99.9 percent of the world's people. Of course Wriston likes to pretend this international referendum reflects "the collective wisdom of people all around the world." But who are these people? According to Wriston, "yuppies who are very interested in their ability to make a buck."²² Meet the new citizens of global democracy. As observed in the *Nation*,

A thin segment of the superrich at the very lip of the champagne glass has formed a stateless alliance that defines global interest as synonymous with the personal and corporate interests of its members.²³

Wriston doesn't limit his thinking to the new democracy, he is also an astute observer of technology and its effects on sovereignty. As he states,

The increased velocity of money gives you a difference in kind - not just degree. It's like a piece of lead: you put it on your desk, it's a paperweight; you put it in a gun, it's a bullet. The huge volume and speed of the international financial markets has put a brake on the ability of sovereign governments to do a lot of things they used to do.²⁴

How appropriate to see global capitalists as armed revolutionaries attacking the state. For Wriston, information technology is a weapon aimed at governments and people around the world.

Wriston's book title, *The Twilight of Sovereignty*, underscores a key process of globalization, the weakening of nation-states and the redefining of the role of government. As Sassen points out, "global financial markets represent one of the most astounding aggregations of new rights and legitimacy...powers historically associated with nation-states."²⁵ It is not only that stateless corporations are escaping taxes and national responsibilities, but they have used states to create a new international structure of laws and legitimacy. Transnationals have their cake and eat it too. At the same time they reduce their tax burden and demand cuts in social services, they use governments to help penetrate new markets, keep labor and environmental costs low and subsidize their global activities. We are not looking at the disappearance of states, but the redefinition of their role. Corporations have always played a dominant role in the state apparatus to protect their national economic interests. But globalization has transformed those interests, and so state functions have transformed to structure the new international economy. Sovereignty is being decentered to a transnational legal system and supranational world trade organizations. The state has been the chief tool of implementation and in the process has altered itself. As Sassen observes; "Over the last twenty years a process has reconfigured the intersection of territoriality and sovereignty as it had been constituted over the last century."²⁶

The structure that regulates the explosion of new financial markets and global corporations consists of a number of important international institutions. A partial list includes the Administration of International Commercial Disputes; Chamber of Commerce in Paris; American Arbitration Association; London Court of International Commercial Arbitration; and bond rating agencies such as Moody's and Standard and Poor's. In addition are the important agreements

reached in NAFTA, GATT, and the World Trade Organization (WTO), while older institutions such as the World Bank and International Monetary Fund (IMF) have extended their reach and influence. These global organizations have opened the world for transnational capitalism, eliminating national barriers to economic activities covering the full spectrum from finance, manufacturing and services.

For the South, globalization has trapped countries in an intricate web of economic relationships. After WWII old colonies achieved political freedom from the territorial domination of imperialism and sought to develop independent national economies through import substitution and South to South trade ties. But globalization has exerted a new form of capital hegemony through the huge influx of money, the threat of its rapid removal, debt, the flexibility of international production, and the new rules and regulations built to sanction and house these dominate relations. The key to the new system is its flexibility, mobility, and speed; rather than its territorial control, stability, and dedicated exploitation of any one particular country. Yet some countries in the South, particularly the large economies of China, India and Brazil have begun to use globalization to assert a new independence and strength. Many mid-size and smaller countries hoping to achieve a greater degree of development within the sphere of global relations are closely watching their example.

In the Nation, Jerry Mander opened a series of articles on globalization stating: "Economic globalization involves arguable the most fundamental redesign and centralization of the planet's political and economic arrangements since the Industrial Revolution."²⁷ This redesign was set in motion by the crisis of accumulation and stagnation in the world capitalist system. Like a man in a sinking ship looking for a way out, information technology provided capitalism a life boat to a new world of profits. It also provided the tools to construct new forms of domination and exploitation, with all the old habits and desires hiding the revolutionary possibilities inherent in the shaping of our future.

Information technology holds the possibilities for greater democracy and participation through the access to information and knowledge. It can develop environmentally safe methods of production, and help equalize relations between the North and South. The potential is there, but this demands political will and a movement that understands the historic possibilities. The vast array of interlinked changes is creating different visions of the future, from dystopias of environmental and technological destruction, to demands for a world society built on solidarity and justice. We have just begun to explore these transformations; we now need to look in more detail at shifting patterns of power within capitalist society.

CHAPTER TWO

TECHNOLOGY AND THE TRANSNATIONAL CAPITALIST CLASS

As information technology (IT) laid the foundation for global capitalism it created a powerful new sector within the capitalist class. These IT capitalists were responsible for the revolution in the means of production that created a new technological economic sector, evolved industrial manufacturing, transformed financial markets and altered the culture of modern society. IT is the electronic skeleton through which globalization works, connecting every performing part of the world economy. The power and reach of every transnational depends on products from IT companies, and IT corporate leaders have become a key sector within the Transnational Capitalist Class (TCC).¹

Information capitalism built the structure of the new economy through two revolutionary methods in the production of information and knowledge. The convergence of telecommunications and computers made possible a global command and control structure for transnationals, building a global assembly line for manufacturing. Secondly, the same information systems established 24-hour global financial markets that function in real-time, leading to world capital integration. In addition, information technologies are thoroughly imbedded in the tools and productive processes of the traditional industrial sector, as well as consumer products, services, media and entertainment.²

The most important part of the IT sector are those corporations which manufacture the products that are building the global structure of information processing and enable organizational changes in finance and industry. Those corporations that either produce these goods, or have most thoroughly integrated them into their productive processes tend to be the core of the new transnational power base. Therefore IT has built new structures and tools (such as the Internet, computer hardware and software); these tools in turn have caused old structures to adopt and change (such as services and industrial production); have made possible the creation of new products and economic activity (such as wireless phones and e-commerce); and have evolved the structure of non-physical commodities with high information content (such as finance and entertainment).

Four Categories of IT

IT breaks down into four basic categories. The first to develop were hardware corporations, many starting in the 1960s and '70s. These companies produce things like chips, boards, boxes, servers, switches, and routers that build the basic architecture and infrastructure of the new systems. Some of the most important corporations are Intel, Cisco, Hewlett Packard, Sun Microsystems, Compaq and Dell.

The next wave of corporations began by writing software applications for everything from games to business systems; they also developed networks and operating systems. Corporate giants such as Microsoft, Oracle, and SAP dominate this category. Although stock prices may go up and down these corporations are firmly rooted in producing value and profits. For example, a copy of Microsoft Office 2000 retailed for \$349, but only cost about \$20 to manufacture. With an overall profit rate of 39 percent on \$20 billion in sales Microsoft is the envy of the corporate world. Those profits are the reality behind its stock price.³

Most recently Internet and dotcom companies have appeared. These companies attracted a lot of attention and capital, helping to fuel the speculative boom in technology stocks. With the collapse of the stock market in 2001 this category underwent consolidation, but such innovators as AOL, Amazon.com, eBay and Google have developed widely-used and expanding services. An important group of actors are also venture capitalists that have specialized in IT start-ups.

Lastly are corporations offering Internet services, cable and broadband connections, satellite hook-ups, wireless communication and phone lines. Although emerging out of the industrial age the telecommunications industry is now technologically and financially linked to IT. Perhaps the best indication of this convergence was the 1997 Telecommunications Act that created a new regulatory structure that sanctioned and recognized the rapidly merging telecommunications, computer and cable industries. Among these corporations are both old and new names such as AT&T, Alcatel, Deutsche Telekom and Nippon T & T.

Electronic corporations have a substantial investment in IT manufacturing. While these companies usually have their origins in the industrial era and a wide array of commodities, a significant number now produce a majority of their products in the above four IT categories. These include semi-conductors, fiber optics, software, wireless phones and numerous other products that serve the computer and telecommunications industry. In 2001 the United Nations listed the ten largest electronics corporations as Hitachi, Intel, Matsushita, Mitsubishi,