

# The Politics of Globalization

By Jerry Harris

Globalization is a new stage of capitalism in its development of a single world economic system. This process is driven by the revolution in knowledge intensive modes of production, and is manifested in both world speculative finance and the internationalization of production. Its political consequences can be seen in the policies of neo-liberalism, the construction of a global superstructure responsible for the market, and a redefinition of the role of the state.

In his book, *Promoting Polyarchy*, William Robinson describes the formation of a new hegemonic bloc that has emerged to lead the process of globalization. This bloc consists of various economic and political forces that have become the dominant sector of the ruling class throughout the developed world. The politics and policies of this ruling bloc are conditioned by the new global structure of accumulation and production. This historic bloc is composed of the transnational corporations and financial institutions, supranational economic planning agencies, major forces in the dominant political parties, media conglomerates, and technocratic elites in the Third World.

The new integrated circuits of world production and finance are possible because information technologies allow the centralization of decision making along with a geographic decentralization of production. The results are world mobility for investments, markets, and production, which leads globalists to harmonize a wide range of fiscal, monetary and industrial policies across national borders. Therefore, it is the logic of global accumulation, rather than national accumulation, that guides the political and economic behavior of the ruling bloc.

In the U.S., the globalist ruling bloc has three main factions: neo-liberal structuralists; free-market conservatives, and liberal regulationists. Their debates dominate Washington and don't correspond to the familiar political categories of the industrial era. The same is true of the anti-globalist camp, which contains both the anti-imperialist left and the reactionary populous right.

The globalists consolidated ideologically in the early 1980s under the policy of the Washington Consensus. Developed to deal with the debt crisis in Latin America and Mexico, its main principles were privatization, free trade, high interest rates, and a sharply diminished role for the state in economic activity and social services. This became the policy mantra of the Reagan revolution, and a siren call for the new Democrats. However, the recent Asian crisis has exposed important contradictions and major splits in the globalists camp. Foremost is the question of how best to structure the new world economy, with the debate centered on IMF policies.

The leading globalists faction is the neo-liberal structuralists, which includes figures such as President Bill Clinton, George Bush, Newt Gingrich, World Bank President James Wolfensohn, IMF Managing Director Michel Camdessus, and most transnationals and major financial institutions. What distinguishes this bloc is their adherence to neo-liberal political and economic policies, their concern to build a stable and regulated environment for global accumulation, and their effort to protect world financial institutions from ruin and failure. They have had important success in rapidly developing major international agreements such as NAFTA and GATT, establishing the WTO, and expanding the power of the IMF and World Bank. These efforts are building a new legal and economic superstructure for the world economy. This process parallels the nation building stage of early capitalism that constructed an integrated national market with common laws, taxes, currency, and political consolidation around a common state. Globalization is repeating this process, but on a world scale.

David Rothkoep, managing director of Kissinger Associates and a senior official of the Department of Commerce during Clinton's first term, puts it well:

"The global market place is being institutionalized through the creation of a series of multilateral entities that establish common rules for international commerce. If capital is to flow freely, disclosure rules must be the same, settlement procedures consistent, and redress transparent. If goods are also to move unimpeded, tariff laws must be consistent, customs standards harmonized, and product safety and labeling standards brought into line...In many ways business is the primary engine driving globalizaiton." (Foreign Affairs, Summer '97, p. 44)

More succinct was World Trade Organization Secretary General Renato Ruggerio who simply stated; "We are writing the constitution of a single world economy." (Chicago Tribune, "New Rules for Global Economy", R.C. Longworth)

What worries the neo-liberal structuralists is that this economy will spin out of control. Every day over a trillion dollars electronically rockets through the currency markets. For globalists the size and speed of speculative activity needs to be regulated and better managed. As George Soros noted; "Markets can move like a wrecking ball, knocking over one economy after another. The swings cannot be avoided altogether, but they need to be brought under control." (Financial Times, 1-3-99) This fear was brought home by the Asian crash, and so exposed developing splits within the hegemonic bloc. Propelled by the lightspeed devaluation of Asian currency and the tidal wave of bankruptcies, the IMF stepped in to expand control over international monetary policies. The huge \$120 billion bailout of international finance in Asia followed by another \$42 billion to Brazil, are being used to rewrite the way markets and governments operate.

This has sparked opposition by free market conservatives to the structural bailout, and reawaken opposition by the liberals to IMF social policies. The debate is also taking place among mainstream globalists, exemplified by the growing differences between the World Bank and IMF. Much of the discussion has focused on stricter regulations of financial institutions, better market supervision of risk management practices, and how to respond to the social fallout resulting from IMF policies.

A flashpoint of this battle raged in Congress over further U.S. funding for the IMF. Republican opposition surprised and angered the corporate community which made its demands clear in a letter addressed to the House of Representatives in which the National Association of Manufacturers, the U.S. Chamber of Commerce, and the Business Roundtable banded together and pronounced IMF funding vital for the American economy. Transnationals are a major interest within the neo-liberal sector and clearly want a stable and structured economic environment for their investments. Furthermore, the IMF has used the Asian crisis to demand that Third World countries open up their national economies to greater penetration from global corporations. Transnationals have not only been able to seize former state assets through privatization, but the bankruptcy of nationally based companies has resulted in a huge transfer of power to global corporations.

Differences among the global structuralists began to appear in the World Bank's 1997 report *The State in a Changing World*. The Bank questioned the promotion of the "minimalist state" and argued for a larger governmental role in protecting and correcting markets. The report sought to move "attention from the sterile debate of state and market to the more fundamental crisis of state effectiveness." (p. 25) While still insisting on free market policies the report emphasized that "liberalization is not the same as deregulation" and argued that the state's purpose is in "safeguarding

the health of the financial system". (p. 65) In a second report in November, 1998 the Bank focused its' criticism on particular features of IMF policies. Targetted were the IMF's rapid push for total financial liberalization, the need to control short-term investments, and greater aid for the poor.

As pointed out by the Washington Post, "The differences here are more of tactics than strategy". (12-7-98) The debate is not over free trade, open markets, or long-term foreign investments. Rather it centers on how best to protect the global financial system. Camdessus believes that the current world crisis can be tamed by changing aspects of international regulation and oversight, but that IMF policies are basically correct and already showing signs of stabilizing the Asian problem. This is the same approach taken by President Clinton's point men, Secretary of Treasury Robert Rubin, his undersecretary Lawrence Summers, and Britain's Prime Minister Tony Blair.

For mainstream globalists grouped around the IMF the global crisis calls for greater centralization. Italian Treasury Minister Carlo Azeglio Ciampi called for the IMF's Intern Committee to become the "embryo" of an economic government for the world. The Intern Committee, which Ciampi chairs, seats finance ministers from 24 major countries. Ciampi argues the Committee should "become the main channel of communication between the international financial community and national decision-makers" because the crisis makes it "necessary to reinforce the instruments for intervention by international financial institutions." (AFP, 12-17-98) The IMF becomes this instrument circumventing any real national dialouge over economic policy.

Other mainstream globalists like Wolfensohn, Henry Kissinger, and Harvard economist Jeffrey Sachs, seem more concerned with cleaning up the political and social fallout of the crisis. Wolfensohn, perhaps pushed by liberals such as Joseph Stiglitz inside the World Bank, has been expressing concern for those thrown into poverty by IMF policies. Yet in a letter to the Mozambique government in March, 1998, Wolfensohn demanded a quintupling of patient fees for public health services and privatization of the municipal water works as conditions for marginal debt relief. Perhaps the riots in Indonesia have helped Wolfensohn to rethink his concerns.

The resignation of Suharto certainly worried Henry Kissinger who joined the debate with a column in the New York Post expressing fear that "the indiscriminate globalism of the 1990s may generate a worldwide assault on the very concept of free financial markets" in the same manner that early capitalism "spawned Marxism". (10-6-98) Upset over the political explosions sweeping Indonesia, Kissinger complains that the "IMF has utterly failed to grasp the political impact of its actions" because of its "excessive emphasis on economics." (Ibid) Supporting Wolfenshohn's position he argued that states should provide a "social safety net and curb market excesses by regulation." (Ibid)

Although critical of the IMF none of these leaders question the basic tenants of the Washington Consensus nor its economic orthodoxy. Rather social entitlements are understood as necessary concessions to achieve political stability in order to continue on the road to globalization. While the globalist bloc is an international elite, there are senior, middle and junior partners. The most senior and cohesive sector is formed by American neo-liberals, and their version of the free market dominates globalization. Although published before the Asian crash, Rothkopt's article provides an excellent insight into what he calls "exporting the American model."

As he writes: "Americans should not shy away from doing that which is so clearly in their economic, political, and security interests--and so clearly in the interests of the world at large. The United States should not hesitate to promote its values...of all the nations in the history of the world theirs is the most just, the most tolerant, the most willing to constantly reassess and improve itself, and the best model for the future...Good and evil, better and worse coexist in this world. There are absolutes, and

there are political, economic, and moral costs associated with failing to recognize this fact." (FA, Summer '97, Pages 48-49)

Speaking of absolutes, the free-market conservatives are perhaps the most ideologically driven sector within the globalists. Representing this trend are former Secretary of State George Schultz, former Citibank CEO and speculative guru Walter Wriston, former Treasury Secretary and international speculator William Simon, Reagan era economists Lawrence Kudlow and Martin Feldstein, President of the Heritage Foundation Edwin Feulner, and Ian Vasquez of the Cato Institute.

Deeply influenced by Milton Freedman, this sector sees any bureaucratic central planning as interference in the pure functioning of the market. As Kudlow has stated; "IMF statism is no better than Soviet statism." (Lerner News Hours, 1-18-98) Conservatives argue that the market needs to carry its own risks, and firms must be allowed to fail without being saved by international agencies. Its within this process that "creative destruction" occurs. Money is freed from bad management and goes to those who know best how to invest. Bankruptcy, or the destructive side of capitalism is necessary to free capital to be used to create new wealth. For free market conservatives the Asian crash is the golden highway to future profits.

Kudlow articulates this viewpoint with insightful honesty when he states; "Capitalism without bankruptcy is like Heaven without Hell." (Lerner News Hour, 1-18-98) Although this may echo Nike's slogan "no pain no gain", Kudlow is speaking for global speculators who seem to delight in the destruction of people's livelihood in a Marat Sade model of creative economics. Schultz and Simon, old friends of Kudlow from the Reagan administration, are so deeply committed to the ideology of free markets that both have made calls to abolish the IMF.

In more direct language Feldstein decries IMF central planning because it has gone far beyond the role that it played in the 1980s and: "has imposed programs requiring governments to reform their financial institutions and to make substantial changes in their economic structure and political behavior." (Foreign Affairs, March/April '98)

As often argued by Wriston, the power to change government policies is best left to international financiers, not bureaucratic agencies. Celebrating speculative might Wriston stated: "Money is asserting its control over government, disciplining irresponsible policies, and taking away free lunches everywhere...If your economic policies are lousy, the market will punish you instantly. I'm in favor of this kind of economic democracy." (Wired, 10-'98, pages 202-203)

B.J. Habibie, Indonesia's new president, must have been listening to Wriston's advice about taking away "free lunches". Last fall he went on national radio and told his people not to eat two days a week. This would save \$1.4 billion per month on rice imports, money which then could be used to pay-off Indonesia's debt to foreign speculators. Welcome to democracy in the new world order.

Underlying unregulated free-market ideology are fundamental economic interests. Of the \$1.3 trillion invested daily in currency markets an overwhelming 66%, (and by some estimates 80%), are held for seven days or less. Only 1% of all speculative transactions stay put for a year or longer. Huge profits are made possible because this instability and quick movement of money results in rapid fluctuations of currency values. If you are on the right side of the fluctuation you can make billions. This has created a sizeable sector of free-market conservatives. As pointed out by Paul Volcker, former governor of the Federal Reserve: "The biggest concern today is the growing constituency for instability." (Changing Fortunes) Kissinger pointed to the same danger writing in the New York Post that: "Hedge funds, the trading departments of international banks and institutional investors possess

the reach, power, and resources to profit from market swings in either direction, and even to bring them about. It is market stability that they find uncongenial." (10-6-98)

Since the Asian crash and Russian debacle the liberal regulationists have been growing in importance. Liberals support free markets and privatization. But with expanding poverty they have come to question attacks on labor, cuts in social services, and government's abdication of regulating the free market. Liberals still support all the basic features of the new global structure. But they want to use these structures to tame the most destructive features of the free market. They clearly recognize the vast inequalities created by unregulated capitalism, and fear the political upheavals that may result. As the crisis in Asia spread to Russia and Brazil some mainstream globalists like Kissinger and Wolfensohn have begun to share some of the concerns of the liberals. But liberals have actually questioned important aspects of the Washington Consensus as the best way forward for constructing a global market. This liberal wing of globalists includes a significant faction of the Democratic Party with such spokespersons as Congressmen Dick Gephardt and Dave Bonior, former Secretary of Labor Robert Reich, plus a growing number of influential economists and concerned business figures.

Liberals have fought for better labor standards and environmental protection in the growing number of international agreements. They also seek to slowdown capital mobility using different regulatory devices which would help protect national economies. At times their opposition has been substantial, as reflected in the vote against NAFTA and its fast-track extension. For example, under Gephardt and Bonior's leadership 75% of all Democratic members of Congress voted against NAFTA. But the liberal leadership has agreed to support the IMF bailout because, according to Bonior, they obtained concessions on labor and environmental standards which allow people to organize, bargain collectively, take on sweatshops and child labor, and set-up watch-dog groups composed of business, government and labor. Critical support from liberals is not new, Gephardt voted for fast-track legislation under Bush and also for the WTO. More progressive members of Congress, Bernie Sanders (Vt), Dennis Kucinich (Oh), and Cynthia McKinney (Georgia), are voting no on further funding for the IMF.

Another important voice in the liberal wing is Joseph Stiglitz, Senior V.P. and chief economist of the World Bank, and former Chair of the U.S. Council of Economic Advisors. In an April, 1998 speech delivered in Helsinki, Stiglitz launched a major criticism of the Washington Consensus, calling it "incomplete and misleading." While a firm supporter of free trade and privatization, Stiglitz argues that "government has an important role in responding to market failures...and in appropriate regulation, industrial policy, social protection and welfare." He criticized the IMF policy in Russia for pushing inefficient and corrupt privatization without competition; and points out that China, by avoiding the Washington Consensus, has become "the greatest success story of the last two decades." Stiglitz is calling for a post-Washington consensus that would expand the role of government to provide universal education, transfer technology to the public sphere, and enable "increases in living standards...improved health...and a healthy environment." He has also challenged the IMF's policy of enforcing high interest rates, which has lead to the bankruptcy of nationally based business' and deepen the depression in Asia.

The IMF's chief economist, Michael Mussa, attacked Stiglitz saying that, "those who argue that monetary policy should have been eased rather than tightened in those countries are smoking something that is not entirely legal." (Dow Jones Newswires, 10-2-98) Stiglitz fired back that Mussa "hasn't looked at the econometric evidence... looking at this approach not from an ideological perspective but looking at it from the way anyone who is serious about economics would look at it...you'll see that Mr. Mussa is wrong." (Ibid) Stiglitz's ideas seem to reflect a growing trend. Former

World Bank staffer Veena Siddharth stated; "His speaking out is just the tip of the iceberg. A lot of people at the Bank are worried about the effects of IMF policies on poor people."

Currency speculator George Soros has also been busy criticizing the IMF. In an article in the Financial Times (12-31-97) Soros notes that the prevailing system of: "international lending is fundamentally flawed yet the IMF regards its mission to preserve the system." Soros also understands that his fellow speculators threaten to destroy the very system that has created their wealth. In *The Alchemy of Finance* he points out: "Instability is cumulative, so that the eventual breakdown of freely floating exchange is ensured." As a result he argues the private sector is "ill-suited to allocate international credit" because its goals are to maximize profits not maintain macro-economic stability.

His solution is to create a new International Credit Insurance Corporation that would guarantee loans by setting a ceiling on the amounts insured. Speculative investments beyond insured amounts would be lost through failures, rather than saved by IMF bail-outs. Soros understands that further regulation will "outrage the financial community", but in his view: "The main enemy of the open (democratic) society is no longer the communist but the capitalist threat." (Chicago Tribune, 9-28-97)

There are a number of important economists who share the concerns of Soros, linking economic balance to political stability. Stephen Roach, the chief economist of Morgan Stanley Dean Whitter fears the "slash-and-burn restructuring strategies of American business" and predicts "some form of worker backlash as an inevitable by-product of an era that has squeezed labor and yet rewarded shareholders beyond their wildest dreams." (Chicago Tribune, 9-28-97)

Ricardo Hausman, chief economist of the Inter-American Development Bank, is concerned that: "Emerging markets are not merely investment opportunities they are entire nations with families, firms, and political systems...if volatility remains unchecked a backlash will build against the market-oriented, democratic reforms." Perhaps this unease is why the New Yorker and Chicago Tribune printed articles praising Karl Marx and his insights into the problems of capitalism. Adding its voice to the choir Business Week ran a lead feature titled, "The Judas Economy," which called for a return to Keynesian growth policies.

Even MIT economist Paul Krugman has distanced himself from the neo-liberal structuralists. In a major article for Fortune, Krugman called for capital controls over foreign currency exchange. In particular he praised the Chinese system of delinking internal interest rates from foreign currency markets to help protect their economy from international speculators. Says Krugman: "It's a dirty word, capital controls, but we need them to get out of a bind." (CNBC, 8-29-98) Delinking domestic and foreign rates would allow countries to expand investments through lower interest rates, while protecting their currencies from speculative freefalls. As the crisis grows there have been a number of uncomfortable converts like Krugman, who says: "Why did I become a radical? I didn't want to be. But we are in a trap." (CNBC, 8-29-98)

The real opposition to globalization comes from reactionary populism and the anti-imperialist left. Of these groups the right wing is far stronger and has greater media impact. Pat Buchanan has become the leading voice of reactionary populism along with a solid bloc of Republican Congressmen. In his weekly column (3-23-98) Buchanan offered a sophisticated analysis of the growing splits in the conservative movement. Titled, "Free-trade Extremists Undermine Reagan's Legacy", Buchanan argues that unbridled capitalism set free by the Reagan-Thatcher revolution contained the seeds of its own destruction. While global free trade and cutting government safety nets created fortunes for some, "in the middle and working classes they generate anxiety, insecurity, and disparities in income. Since these classes seek stability and order from their political systems above all else, Thatcherism

and Reaganism undermine the very social structure on which they were built." It seems even the right-wing can't escape dialectics. Confronting this contradiction Buchanan concludes: "Conservatism is thus at a crossroads. And if social conservatism is at war with unfettered capitalism, whose side are we on?" This may poise an unsolvable contradiction for the right-wing. Movement conservatives don't see a future without their social base, while free-market speculators have no need for a movement.

Under the direction of Majority Leader Dick Armey, 190 Republicans composed the main opposition in the fight against further funding for the IMF. In Congress it's the right populous who criticize the liberals for their weak opposition to the IMF bailout. Attacking Robert Riech, Republican Walker Todd stated: "In the great globalist economy, why should Heartlanders don the military uniform or tax themselves to defend investments abroad of corporations that consider themselves globalists - not tied to, say, the USA?...The IMF has become nothing more than a debt collector for the international banks."

Of course Todd and Buchanan would ask Americans to don the military uniform to fight for U.S. corporations that promote national power and wealth. Their attack on globalization is not isolationism, but a desire to maintain a world imperialist policy based on national power as developed in the industrial era. An imperialist era that brought home enough wealth to develop a social contract with the white middle class. That class constitutes the political base for right populism. Its the benefits of this social contract that globalizaiton is destroying as it undercuts living standards, shrinks the middle class and sends jobs abroad to low wage countries.

This is where the left and right intersect. Much of the American left also desires a return to the industrial past and the benefits won through unionization and the social struggles of the 1930s and '60s. The political base of the right is in large part the same political base for the left. But as the white working class of the 1930s became the white middle class of the 1950s it became satisfied, conservative, and bought into the privileges of racism. Rather than develop a strategic vision to transform the world that is, both the left and right are fighting a rear-guard battle to defend the world that was. They want to recreate the type of society that grounded their politics and success. Thus we find Buchanan quoting from the Nation, while Monthly Review denies that anything of significance has developed since the advent of industrial age imperialism. Its ironic that opposition to the IMF by both the right and left parallels the demands of the most dangerous and speculative wing of the globalists - the free-market conservatives who also wish to rid the world of the IMF and all international regulations.

One international response to neo-liberalism is People's Global Action, formed to "launch a worldwide coordination of resistance against the global market." This is a new world alliance of mainly peasant based movements in the Third World. It includes the Zapatistas, Movimento Sem Terra (Brazil), Peasant Movement of the Philippines, Movement for the Survival of the Ogoni People (Nigeria), Karnataka State Farmers Association (India), Indigenous Womens's Network (N. America and Pacific), the Sandinistas, Foundation for an Independent Aotearoa (New Zealand), and Play Fair Europe. This list of groups bears witness to the great pressure points of globalizaiton and shows how the market is now encompassing groups previously outside world capitalist commodity production.

These groups call for a decentralized and environmentally sustainable society, and some have battled at the very heart of globalization. For example, in Karnataka farmers have challenged biopiracy by transnational agrabusiness, while the Ogoni people are fighting Shell for control of their land. Yet post-modernists promote the local nature of these struggles, romanticizing the autonomy of pre-

capitalist relations. This robs these movements of their anti-globalist thrust and seeks to define and limit Third World movements to a fragmented post-modernist mode.

Offering another global challenge is the environmental movement with its well-developed international ties. The inter-connected character of the environmental crisis necessitates a united world movement. The forces of globalization not only create a human disaster but an equally serious ecological crisis. This deeply effects economics and culture, rural and urban populations, new technologies and old. A red/green strategy, or classed based environmental movement, must be part of a long-term effort to build an alternative to neo-liberal globalism.

Labor has also begun to show signs of new strategic initiatives. As a result of globalized manufacturing the industrial working class in the Third World has increased from 285 million to 400 million over the past 15 years. In response union membership is rapidly growing in S. Africa, S. Korea, Thailand, Zimbabwe, Bangladesh, and the Philippines, even as it declines in the U.S. and Europe. Current efforts by labor reflect these international changes. The United Electrical Workers have started cross border organizing efforts with Mexico's Federation of Autonomous Workers. The striking dockers union in Liverpool used the internet to organize an international day of solidarity that shut-down 150 ports. And campaigns against Nike and the textile industry are fighting for fair labor standards worldwide.

In the West movements that battle for full benefits and equitable wage levels for all temporary and part-time workers are responding to the new conditions of labor. Already important reforms have been instituted in parts of Europe, and provide a model for the U.S. Also, as technology reduces the need for labor, people need to fight for a greater social wage and shorter workweek. Others are renewing the argument for high wages, low interest rates and full growth policies. These programs are outside the Washington Consensus and envision global relations based on growing equality between all nations.

Lastly the left needs to target speculative capital as the main enemy. This is the most dangerous, destructive and decadent form of capital in the world economy. A good place to start is the Tobin tax, a plan being suggested by some liberal economists and politicians. The idea originated with Nobel Prize economist James Tobin in 1972, and calls for a tax of one-fifth of one percent of the value of each financial transaction. If applied just in the U.S. it would raise \$20 to \$30 billion a year, while a worldwide tax would produce about \$100 billion. The aim is to slow down the size and amount of global transactions and push money towards longer-term investments. Of course a larger tax would have a greater effect and provide funds to create the types of social and environmental programs needed to correct the destructive aspects of globalization.

There is a high and low road to economic development. While low road speculators dominate today the deepening dimensions of their crisis is leading to political splits and economic ruin. Globalism is a crisis-ridden system based on the overproduction of exports, and rapid capital movements which produce instability. In opposition there is a growing broad consensus to develop a socially just economy that makes use of the market. The left needs to develop a new transitional strategy that helps to build a participatory and democratic economy, while working with all those, including the business community, who wish to create an equitable and stable future.