

Capital, Class and the State in the Global Political Economy

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Working Paper

Comments Welcome

(Since I have now presented the paper publically feel free to quote)

This paper is prepared for presentation at the plenary session of the Global Studies association, Brandeis University April 24, 2004 in which Leslie Sklair and Leo Panitch are the other speakers. Sklair is a sociologist whose work on the transnational capitalist class has been formative. Leo Panitch, a political scientist, along with his long time collaborator Sam Gindin has made major contributions to our understanding of the capitalist state. I am an economist. So while my focus is different it is made in the hope of contributing to a larger dialogue on ways of seeing the elephant that is capitalist globalization.

It is as true for Marxists as it is for everyone else that making sense of globalization is the great Rorschach test of our time. Matters of the relation of state theory and capital logic need to be interpreted in terms of the governance of the contemporary imperialist system, its contradictions and oppositional potentialities. Issues of accumulation and class must be retheorized in the historical conjuncture in which we live. While mainstream discourse stresses the inevitability and desirability of globalization variously defined, Marxism invites us to see such phenomena in historical perspective, to examine institutions and social relations whether changing legal definitions of property or financial contracts and more broadly rights claims of capital and labor. This hardly means that Marxists are in agreement on the meaning for our time of such basic constructs as class, the theory of the state, imperialism or tendencies and contradictions of accumulation on a world scale. I think however that this is a particularly fertile time for such theorizing and a great deal of fruitful work is being produced by marxists and others.

In this paper I discuss the relation of state logic and capital logic in the contemporary global political economy, a period in which the use of the term imperialism has come back into fashion and we have seen all sort of discussion of the merits of a presumed benign American Empire. I use the term imperialism in its broadest sense to describe the process whereby leading fractions of the ruling class or in a more sanitized framing, policy makers of more powerful countries use economic and military capacities to appropriate the land, labor, natural resources and markets of other countries to foster capital accumulation under the control of wealthy interests at home and abroad. I am surely not alone in seeing imperialism as always about the process of expropriation/appropriation by metropolitan capital of the resources, assets, and wealth of other countries all over the planet. The different phases of imperialism are to be distinguished by the precise manner in which this process takes place, the degree of success it has, the resistance it encounters, and the alternative visions of transnational social relations which are generated (Parenti, 2002 and Patnaik, 2004). It is this need for historical specificity in the context of broader theory which drives my research.

Conceptual Framings

Concretely theorizing imperialism involves choosing both an approach to the theory of the state and the logic of the accumulation process specific to the conjuncture under study. In looking at American imperialism today I find it useful to think in terms of two wings of the imperial eagle, two logics in capitalist exploitation not totally separate of course for they together impel the bird of prey, but in the emphases on one or the other logics as part of a larger division of labor between, as Ellen Wood (2002:30) has put the matter, “the economic moment of appropriation and the extra-economic or political moment of coercion,” qualifying her formulation to underline that the political moment of coercion is never absent from the economic moment of appropriation. I would stress the moments analytically separable are always connected. The economic moment of appropriation requires coercion to impose not simply something called “the rule of the free market,” but the specific ways in which particular exchange norms and regulations are established and enforced. None the less, the dynamic of the market and the political use of threat and of military coercion represent a range of policy alternatives certainly for the more powerful capitalist state of our day.

Global state economic governance institutions represent one wing of the imperial eagle, that of the liberal internationalists who favor multilateral negotiation as a method of regulation and expansion of the territorial basis and the spheres of exchange in which norms and rules favoring the interests of transnational capital are applied and enforced. The other wing, to mix metaphors a bit is the iron fist ready to crush resistance and bring back the disobedient into the fold. That the propaganda machine defining rogue states as enemies posing threats to the legal order and to the global hegemon’s own security may seem laughable, but invasion, of tiny Grenada or the overthrow of Sandinista Nicaragua proceed on such a basis no less than regime change in Iraq. George W. Bush White House’s muscular assertiveness of the right to preemptively attack any it chooses is an extreme version. The previous administration of Bill Clinton in which the key

cabinet player was Robert Rubin as Secretary of the Treasury rather than as under Bush Donald Rumsfeld the Secretary of Defense, signaled its preference for exercise of power through mediating multilateral institutions. All presidencies reflect some balance of these two strategic orientations produced by the unique interest coalition in power, in the case of Bush above all the oil and military contractor sectors and driven as well by the ideological leanings of its key operatives which influence ways of seeing conjunctural risks and opportunities a particular administration faces.

The set of relationships which frame policy making involve class and the way state power and accumulation strategies interact. These are conjunctural – military intervention and regime change are much more likely when more is at stake – recalcitrant leaders in oil producing states who cannot be effectively controlled through economic coercion and states where rent seeking is the road to quick wealth and so local elites are uncongenial to the priorities of foreign investors, so-called rogue states and failed states which harbor terrorists or drug dealers are more likely to face military invasions. The likelihood of such regime change initiative and the type and extent of guided state building will depend on the character of the administration in power in Washington. Further the success or failure in recent outings will influence willingness to engage in what may turn out to be ill conceived adventurist undertaking. There is inevitable tension between the innate tendencies to seek out foreign investment by corporate interests, by states in imperialism, and hegemons in empire and the chances of success at acceptable cost which are always contingent.

I will focus here on policies of the key global state economic governance institutions, the International Monetary Fund and the World Trade Organization in relation to the power of the American state and how we are to understand financialization. I will conclude with some comments concerning challenges to the U.S. state and its international economic policies. I do not think a cohesive transnational capitalist class is now the dominant reality in the world political

economy eclipsing nation-state based interests and the centrality of the state for organizing politics and containing class contradictions I certainly see evidence of increased cross border cooperation among leading elements of the capitalist class. I would insist on the continued centrality of the tension among the interests of capitalists based in different states as we trace out the manner in which global state governance institutions are in fact emerging and gaining purchase over nation state level decision making. States because of the pressures of local elite governing coalition members and also because they must meet revenue needs essential to their legitimation preferentially favor national economic interests to the maximal extent they safely can given the pressures of global market forces and the demands of governments more powerful than their own. Not only in the core but when we look at the local coalitions which influence state policies in peripheral social formations we see the way their unique interests influence the kind of liberalization which occurs. It is also the case that there are very few if any truly transnational corporations in the sense of firms which are not primarily associated with particular nation state locations and politics.

Class Goals of the Global State Economic Governance Institutions

Such considerations bring us back to the relation of state logic, capital logic and the larger moment of imperialism in the global political economy because for all the talk of an inter-state system, the heritage of Westphalia and all that, few of the 200 or so governments which exist today now, or in their previous incarnations as colonies and vassals, were ever sovereign in the idealist international relations model sense. Territorially based states are always part of a system which rests on economic exploitation and it is this structured inequality which should frame contemporary discussion of global neoliberalism. "Policy failure" needs to be theorized in the context of the goals of policy makers, what class interests they represent, and so how "bad" policies may be the best possible policies understood to be available given the contradictions of capitalism as an economic and political system and especially in the case of North-South

relations by structures put in place by colonial and neocolonial power asymmetries. What is less commented upon is the interrelation between debt and the single minded export orientation pushed by the global state economic governance institutions for it is the stranglehold debt repayment has over economic policy making which forces and enforces the need to increase exports to earn foreign exchange to meet debt obligations. It is because of immense debt burdens that economies must be reoriented away from even modest focus on domestic needs and balanced growth. What was achieved directly by colonial administrators and direct appropriation of land and labor is now achieved indirectly by constraining development possibilities. Financialization generalizes this form of extraction and appropriation.

Contrary to official assertions and much mainstream social science based on the premise of efficient markets and public choice theory, the policy initiatives of the global state economic governance institutions, collectively labeled neoliberalism have been failures in terms of their announced goals. Even the IMF accepts in the findings of a technical report co-authored by its U.S.-appointed chief economist Kenneth Rogoff, that “The empirical evidence has not established a definitive proof that financial integration has enhanced growth for developing countries. Furthermore, it may be associated with higher consumption volatility” (Prasad, Rogoff, Wei and Kose, 2003:58). That is to say financial bubbles collapsing leaving economies in depression with rising unemployment, falling incomes, and extensive social suffering, are the logical outcome or at least their impacts correlate closely with financial liberalization. It is now widely recognized that overall economic performance and social development in the world economy has been substantially inferior in the last two decades of what we might call “High Globalization” compared to the two decades before that in which the dominant social structure of accumulation under national Keynesianism in the core and state-led development regimes in the periphery (Weisbrot, Naiman, and Kim, 2001). Political economists have detailed the harm done by neoliberal policies to the point where the Washington “Consensus” had lost credibility. Work

now focuses on why since the medicine has had iatronic results the debt doctors continue to force it down the throats of unwilling patients. Seen as a tool bag of imperialism the assurance that more pain is good for these devastated economies victimized by the normal working of the world capitalist system and the insistence that these countries stay the unsound course is more understandable.

Attention has specifically focused on the rise of financialization as a dominant force in transnational capitalism as an explanation of why despite poor performance state intervention in demand management has been forbidden to address demand constraints to global growth and issues of redistribution have been out of bounds although as the incredible costs of these policies have brought forth resistance there is much talk in official circles about the need for safety nets even as the policies imposed do not allow for other than rhetorical endorsement of such a necessity. The competitiveness discourse and accompanying framings of New Classical Economics, supply side economics, monetarism, real business cycle theory and the more overtly right wing political theorization of the state in public choice, rent seeking, crony capitalism, and so on, support deflationary tendencies as well. All of these approaches by conservative economists and political scientists favor overt class-based redistributive growth as scientifically self evident despite evidence to their extreme social cost and lack of success compared to the earlier demand side regimes and state-led industrial policy approaches of the National Keynesian social structure of accumulation. Without alleging planned conspiracies, in any obvious sense it remains the case that each financial crisis is an opportunity for the more powerful market participants with deeper pockets to appropriate the resources of debtors. Debt is the modern day cannon breaking down the walls put up by the developing countries during the period of nationalist development strategies. Debt peonage allows imposition of conditionalities and structural adjustment programs transferring ownership and often dramatically redefining property rights. The fables of neoclassical economics, perfect competition and the rest obscure

the transference of wealth accomplished by financial crises and the manner in which they are resolved.

There is a complex relation between development strategies in the sense of building production capacity controlled locally and the way developmentalist states deal with the relation between national production and international trade on the one hand and financialization on the other. There are tensions and contradictions within each of these processes as well as between them that involve conflict between class fractions both within peripheral formations and between states of the periphery and the core, and among core formations as well. What free trade, specialization, and the division of labor promise is increased global efficiency and mutual gain based on comparative advantage. In the real world in which adjustment costs are sizable and path dependent choices make some decisions to structure an economy around such specialization irreversible within a practical political time frame and at realistically manageable costs the neoliberal model produces dependency and an inability to reverse over specialization even as the terms of trade over long periods go against primary producers and exporters of commodity manufactures. Economic historians have made clear that it has not been accepting a given comparative advantage which has been the key to the now successful economies, but rather subsidies and borrowing technology from industrial leaders while closing off your own markets until local producers matured in their capacities to compete. The literature on late industrializers (Gershenkron) and the late-late industrializers (Wade, Amsden) make this evident. The ever expanding agenda being pushed by the U.S. and the EU at the World Trade Organization ministerials bear witness to this ambition to prevent use of the very tools which have been responsible for successful development in the past. The extension of trade issues to so-called trade related investment measures (TRIMs) and trade related intellectual property rights (TRIPs) and now the Singapore issues which demand still further reduction in the scope of state tools to promote domestic development are being resisted as the impact of such

development unfriendly rules have become clear to the countries which naively signed on to the Uruguay Round agreements and many extensions of rules designed to favor the rich economies of the global trading system. the GATT and then the World Trade Organization were established to reduce tariff and non-tariff barriers to trade in industrial products but the WTO has expanded its remit to cover just about every aspect of state-market relations that the IMF and the World Bank do not govern. And of course the conditionalities imposed by the IMF on particular dependent countries now run into well over a hundred items very specific in the micro market demands they make on debtor economies. That the G-20 led by Brazil has said "Enough!" to further one-sided concessions is encouraging, and I shall discuss such opportunities a bit later, but we should not be overly optimistic. Class relations and class recomposition in much of what was once thought of as the Third World must be considered with a skeptical intelligence.

Many on the left have noted the continued importance of the nation state to disciplining labor and the control of opponents of neoliberalism. The reassertion of state power in the presence of privatization and economic liberalization in the service of imperialism however also involves a fundamental restructuring of the political economy in ways which serve the interests of local elites, and not simply as junior partners of foreign capital. The empowerment of new domestically hegemonic coalitions is about a respecification of property rights and appropriation of real resources as well as a reordering of government spending processes and revenue collection. These should be seen as state building. They involve self-interested activity by class fractions which benefit from a seeming sweeping aside of protectionism, subsidies, and regulation. Specifically, a second generation governance discourse is revisiting the historical experience of the now developed nations and comparing the quality of their markets and institutions in the decades and over the centuries in which they achieved impressive economic growth. The introduction of key features of democracy and good governance came very late in the process of economic development. Crony capitalism, widespread nepotism, the spoils

system, open sale of public office, and disenfranchisement of women, racial minorities and working men without sufficient property characterized political systems for most of the period of advancing per capita income. Violation of property rights, irresponsible financial institution behavior and far from adequate corporate governance, the absence of human rights including labor rights all characterized the early to fairly late stages of economic development of the West (Ha-Joon Chang 2003). I would comment that this literature remains an essentially liberal political reading. I think we must also be clear that it was only when a maturing capitalist economy creates a working class capable of self-organization and maturing political organization that broad system reforms are won through struggle and become necessary and indeed an inviting response on the part of the more farsighted sections of the ruling class who offer reform from above to contain self-organization and political mobilization from below. In today's context it may be suggested that attention to the need for institutional reform and good governance is a strategy to remake these states in ways conducive to more effective foreign penetration and to distract attention from the structural inequalities of unequal exchange between and within core and periphery of the world system.

While the economies of North East Asia and some other of the larger states of the semi-periphery have developed a significant class of domestic industrial entrepreneurs, most of the poorer states have elites concentrated in non-tradeable activities, and importantly, in finance. After the crises in East Asia it became clear that financial interests had been influencing government policies in ways detrimental to development. The policy most followed of continuing to peg the value of local currencies to the U.S. dollar, a peg which could not be maintained and when finally abandoned in economic collapse had painful consequences. The financial interests who dominate public policy in many developing countries, did not need the global state economic governance institutions to impose financial liberalization upon them from the outside, they embraced such policies out of self interest harmful to the public good. These elites as K.S. Jomo

(2002:6) writes of the case of the nations of Southeast Asia,

“insisted on retaining the pegs, even though it was adversely affecting competitiveness in the real economy, because they were heavily leveraged in dollars (often without hedging their debt), and did not want the pegs to change. Because of their growing influence, and financial policies in particular, have been increasingly influenced by such financial interests, who sought to protect the value of their financial assets.... As a consequence, they tended to propose, favour and insist upon policies with deflationary macroeconomic consequences. Elite influence on public policymaking also favoured partial financial liberalisation, which eventually led to conditions culminating in the region’s debacle in 1997-98.”

Such policies were and continue to be profitable for local financiers who speculate with funds borrowed from abroad as well as from local sources helping to produce the asset bubbles which then so painfully collapse in the context of socialized losses. It is not only the foreign hedge funds which are responsible for these repeating cycles but an engorged local financier class.

The deflation which follows the collapse of the currency and of government finances is solved through IMF austerity even where, as in the case of East Asia in the late 1990s, Japan was ready to fund a reflation so that these local economic depressions could be avoided and output levels resumed with far less disruption to the productionist base of the economies involved. The U.S. blatantly told Japan this alternative to forced austerity would not be allowed. Instead these assets were to be sold at bargain basement prices and states wrenchingly forced to abandon model heavily reliant on state-led development and local autonomy. Under such “solutions” to crisis the extent to which state apparatuses are systematically being reorganized around a strategy of competitive austerity in anti-working class ways enforcing wage compression and tax cutting for the wealthy has spelled declining public services and living standards for the working class.

In such a context privatization whether of state assets in Russia, Chile or elsewhere can be understood not simply as a movement from public to private, but in important ways from nonstate to state. The latter is crucial. Such institutional change can increase state capacity for defining and enforcing property rights, extracting revenue for privileged capitalists, and fostering the centralization of administrative and political resources. Case studies of the experience of privatization show public and private are neither contradictory nor mutually exclusive terms and that power relations are not at all negative sum games in which state capacity is lost to private capitalists (Schamis, 2002)

The U.S. and the World System

The creation of fiscal crisis as a way to force privatization and further liberalization is not merely the result of imposition by the IMF and World Bank but the result of financialization strategies by local elites consistent with class warfare tactics of public finance not unfamiliar elsewhere. Ronald Reagan and George W. Bush also created huge government deficits and unsustainable public debt to produce conditions for the emasculation of the public sector's capacity to provide goods and services to the working class. By starving the state sector, punishing the progressive redistributive coalition including teachers and other public sector workers, selling off public assets or giving generous contracts to favored supporters, the progressive base is weakened and the coalition which has been empowered by state policies of privatization and liberalization rewarded. If we see global neoliberalism as acting to produce recessionary trends as a result of its class war policies not only in the austerity it forces on those whose economies are effectively constrained by the IMF and World Bank but also Europe under Maastricht fiscal constraints and the punishing inequalities of Bush tax cuts and spending austerities in this country, it is possible that the conditions for a wider crisis of the political economy are being built. Today the United States is building up an unsustainable debt to the rest of the world by running annual balance of payments deficits of 4-5 percent of gross domestic

product and sinking deeper and deeper into debtor status. Even though the U.S. state and transnational capital benefitted from financial crises in Latin America, Russia, Eastern Europe, East Asia and elsewhere where financial crisis was resolved in a manner increasing foreign control and undermining nationalist development, today the United States itself is sucking in capital to an extent which poses potential dangers to the global financial order. Does this signal weakness of the U.S. economy or rather strength? dependence and so weakness or the power to attract and command resources and wealth from the rest of the world?

The United States plays a central role supported by the British (both militarily as in Iraq, and in the larger Bush regime change agenda and in pushing financial liberalization – the British economy depending on its financial center and its oil companies as much as the United States does on these key sectors of accumulation and appropriation). The United States can print dollars and given its hegemonic status can pressure other states to continue to finance its penchant for living well beyond its means. Because the United States gains relative strength as actions and institutional policies it initiates undermine social stability and development prospects elsewhere it may well continue to be the safe haven for capital flight and the financial market offering highest and more secure returns and so be able to run balance of payment deficits inconceivable for any other nation. At the same time, there are grounds to be seriously worried and also to understand the ways in which U.S. power means that the imbalance will hardly be addressed solely on the basis of the financial equations of traditional modeling.

Important voices on the left including Immanuel Wallerstein and Samir Amin argue for the structural weakness of the U.S. economy in that its productive system is far from being the most efficient in the world but, on the contrary, enjoys comparative advantage only in the arms sector. The trade deficit is virtually across all segments of the production system. The national savings rate in the U.S. is virtually zero. Its advantage is its ability to bully, maintain its ascendancy over oil producers, mandate that oil payment be made in dollars, and of course its role of consumer of

last resort through debt fueled effective demand in a world forced by financialization into stagnationist pressures. World economic growth which averaged almost five percent in the golden age, 1950-1973 fell to three percent between 1973 and 1992 and fell still further in the years since. The relatively better performance of U.S. investments must be seen in the context of global lack of real growth, the vast build up in U.S. debt, and the competitive weakness of real production in the United States. I stress the dominant role of the U.S. state in the global political economy and suggest again that methodological assumption of a unified transnational capital class is lacking in analytical purchase in offering a convincing counter causal story.

The questions of the weakness of the traditional domestic sectors of the U.S. economy (aside from finance, real estate and of course military contracting) combined with the power of finance transnationally and of the U.S. state raise complex analytic issues which have only begun to be addressed by scholars who might do well to examine current financialization in a longer perspective of U.S. power and financialization strategies which extend over many decades. In the 1960s and 1970s when U.S. presidents could invite German chancellors down to the LBJ ranch and over barbeque tell them what the dollar required or unilaterally put an end to the Bretton Woods system with what the Japanese refer to as the Nixon shocku, to the imposition of America's solution to the Latin American debt crisis in the early 1980s and the Asian financial crisis in the late 1990s, suggest the need for a revisionist international political economy which puts financialization at its center. Looking forward, the unique situation of extreme U.S. debtor position on trade and the requirements on the capital account side along with the continued strength of the American economy based on these vast capital inflows fueling the stock market and the real estate boom raise the specter of a U.S. imperialism underwritten by the rest of the world which remains almost universally opposed to its policies and regime change ambitions. The parallel to a century ago in both the domestic consolidations of national industrial economies, in the United States under the personalistic tutelage of a J.P. Morgan but

with parallel elsewhere so that finance capital was a central topic of marxist and liberal theorists and the jockeying of position internationally among competing fractions of capital then more nation state anchored raise different issues in a very different context about both the nature of financialization in our time and the way governments as containers of populations, unique institutions, and of electoral decision making come under pressure from markets and global state economic governance institutions.

The International Monetary Fund and the OCED have has quite publically criticized the Bush tax cuts for example. Their economists find the impact will be to lower U.S. productivity in the long run by increasing deficits and pushing up interest rates. Indeed their warnings have grown increasingly shrill. In January 2004 the IMF warned that the U.S. record breaking level of debt was threatening global stability, could soon play havoc with international exchange rates and that higher borrowing costs abroad would spill over into global investment and output. While the IMF is accused, with good reason, of being adjunct to the U.S. Treasury, since it often acts in a capacity beyond fealty to the occupant of the White House as a global state economic governance institution with a wider steering perspective for transnational capital as well, its grim warnings of long term fiscal disaster show a perspective hardly consistent with a slavish political loyalty to Washington's currently dominant politics. (Such signs, I would add parenthetically, signal a degree of transnational state construction.) In March 2003 the IMF again issued such a warning joined by the OECD which pointed out that the seven percent deterioration in the ratio of the U.S. fiscal deficit to GDP since 2000 is the largest deterioration since World War II and is currently equal to about six percent of world gross savings. In evaluating the strength of the U.S. economy, financial and other asset markets from equities to housing) have fueled dramatic wealth creation and the strongest economic growth among the advanced nations. This in turn has been based on debt creation.

The United States remains hegemonic and in this post 9/11 era has forced an

interpretation of what holds an important place on the world's policy agenda, foregrounding its so-called war on terrorism which it is busy expanding as a mechanism of increasing its control over both those declared enemies and those it would intimidate with a "you are with us or with the terrorists" rhetoric. It does so at a time when the failure of the neoliberal agenda to help the poor should be a central concern. The global growth which has occurred has been very uneven with over fifty countries suffering falling real per capita GDPs during the 1990s. It has become so obvious that the distribution of the benefits of growth and costs of stagnation are less and less within the power of individual states to control. It is now widely recognized that a process of combined and uneven development is in significant measure a matter of the way power is exercised in a markedly unilateralist manner. The U.S., as a result of what looks more and more like overreaching, has found itself meeting more effective resistance not simply in Iraq but in terms of economic diplomacy across a wide set of issues and negotiating fora as it attempts to impose its restructuring visions on the world.

Negotiating the Global Political Economy

While it remains true that when the United States sits down to international negotiations it is the most powerful actor in the process, this does not mean it always gets what it wants or even gets what it wants as often as it has in the past. As it has been rebuffed, in the economic realm most pointedly at the WTO ministerials, the Bush II White House has adopted a strategy of negotiating bilateral investment treaties with small, weaker countries which U.S. Trade Representative Robert Zoellick calls the "can do" countries. This process is seen by Mr. Zoellick as "competition in liberalization. The U.S. still seeks to put itself at the center of a trade bloc, the Free trade Area of the Americas by isolating Brazil by lining up central American states, once referred to by our government officials as banana republics. It finds it cannot even get all of these states on board. The U.S. planned bilateral negotiations with eleven countries which are prospective FTAA members (it already has agreements with Mexico and Chile) but when time

came for the Miami meeting in late 2003 a breakdown of negotiations would have been particularly bad for the brothers Bush. Miami had been the city chosen for the headquarters of the trade agreement, a key state in the upcoming presidential election and the one which the president's alleged victory allowed his ascendancy to the presidency in 2000 thanks in significant part to the machinations of his brother Jeb the state's governor. In an effort to save face with an empty agreement on an "FTAA-lite" after the failure of the WTO gathering in Cancun a few months earlier, the breaking off of negotiations in Miami were also necessary to keep any possibility of lowering barriers to Brazilian low cost orange juice, a threat to Florida's citrus industry (being protected by a 29 cents on each gallon of imported OJ tariff) off the voters' political radar screen. One factor is the EU's negotiations with Latin American countries in defiance of America's backyard ownership claims. While the hope is to isolate the "won't do" countries, unfortunately for the U.S. plans, the latter are the economies which matter, countries like Brazil, South Africa, India and other strong economies of the Global South now most importantly including China. It would be a longer and separate discussion as to how important this opposition to imperialism will prove to be and especially to discuss the nature of this opposition – questions of class struggle in China, the constraints domestic power relations place on the more militant impulses of the PT and the ANC, the complicated politics of Hindutva and especially its relation to economic interests favoring neoliberalism in India. All of these are part of what I have taken to calling the "Samir Problem." South-South unity and Third Worldist dreams come up against class relations a dilemma which people like Samir Amin understand perhaps better than others.

While G-20 resistance to U.S. imperialism at the WTO is important, perhaps the historically more serious threat comes from the development of the ASEAN plus three (China, South Korea and Japan) grouping and movement toward what Japanese Prime Minister Koizumi calls an "East Asian Community" which would be still further expanded to include New Zealand

and Australia. Japan which extended 80 billion dollars to its neighbors impacted by the financial crisis of 1997-98 and uses its official development assistance to strengthen its leadership in the region competes with China which has offered the ASEAN nations trade concessions going well beyond what Japanese constituencies have been willing to allow with regard to agriculture and other sector protectionism. China's "charm offensive" in the regions is paying dividends and while Japan and China remain rivals, and it may prove hard to undo the anti-Japanese feelings among Chinese of all ages as memories of World War II atrocities are very much alive and Japan's fear of a rising region hegemon are strong. Japan's imports from China exceeded its imports from the United States for the first time in 2003 and political relations at the governmental level have improved substantially. China has also become South Korea's largest trading partner so that despite rivalries, and in a way spurred by them there has been a great deal of movement in such areas as energy, security and technology leading to increased expectations of a north-east Asian economic community of some potency centered around China, Japan and South Korea and expanding south rivaling in size and influence the EU or the NAFTA and the FTAA. The three along with Hong Kong and Taiwan account for about 20 percent of world GDP (compared to 30 percent for Europe and 34 percent for North America) and growing much faster than either. With ASEAN countries such a regional grouping would be more powerful. While China's importance to the global political economy can not be questioned (although its economic and political stability are rightly grounds for much doubt and speculation) and Asia is now an important center of accumulation and growing political importance the intentions of its governments too are hardly anti-capitalist. They are negotiating individually and collectively for a better deal from the traditional centers of world economic and political power. These tensions may intensify and real rivalry may develop but again within a context of the continued dominance of the United States.

While much discussion of the U.S.-Europe relations stress overwhelming U.S. military

and political power the simmering differences between the United States and the European Union are significant with potential to disrupt the global trading system despite efforts on both sides to avoid such a breakdown. World Trade Organization arbitration panels have repeatedly ruled that tax breaks to U.S. exporters are illegal under its rules and granted the EU the right to impose sanctions each time the U.S. has tried to modify its subsidy program and failed to win WTO approval. The punitive import tariffs the EU can impose (approximately four billion dollars worth) have not yet been implemented out of fear that such an action could seriously damage EU-US trade relations and indeed the international trading system which has been built up under US leadership of the GATT and the WTO.

The WTO has also ruled the 1916 US anti-dumping act illegal. But here too the EU has put off retaliation measures to presumably give the US more time but actually out of concern the US would simply leave the WTO and the world would return to the law of the trade jungle. The EU won the right to impose punitive import tariffs worth \$2.2 billion in 2003 in the steel case but feared escalation and the Bush people finally backed down on the issue in significant measure at the behest of domestic users of steel who became less competitive as a result of Washington's protection of high cost domestic producers (even if they were in politically sensitive states). Further despite all the talk of "Old Europe" being non competitive Germany is the world's biggest exporter currently, ahead of the United States in dollar terms. France also exports much more than they import, unlike the United States. By conventional measures Europe is as productive as the U.S. Europe's growth rate is being held back not so much by social spending and labor protections, indeed it has restructured quite a lot, but because of EU rules which make fighting inflation the only economic target and by not promoting growth and stimulating employment as it copies Anglo-American policy priorities. Much of the politics of the rightward drift in Europe is related to continued acceptance of Maastricht handcuffs, immigration, globalization more broadly, and the inability or unwillingness of Third Way and other social democratic parties to

offer real alternatives to neoliberalism. It is this lack of a serious alternative to continued competitiveness within the neoliberal framework which is the problem for those who see the social and environmental costs of the present pattern of accumulation in the world system. Within Europe and elsewhere the continued growth of what is called the anti-globalization movement, but which is better described as a global justice movement, is questioning the core rules of corporate capitalism's version of globalization, a set of rules and regimes which are hostile to widely shared concerns and favors a globalization from below based on solidarity and not competition.

I would conclude by commenting on state failure in the Middle East, Africa and Central Asia where economic growth has been slow, unemployment high and both a sense of government incapacity, corruption, and being victimized by globalism prevail. Over an extended part of the globe poverty and state fracturing and failure to do much to address pressing human need has created political conflict and social breakdown. As Aijaz Ahmad (2003:57) reminds us, "The defeat and/or decline of the democratic, secular, anti-colonial nationalism has given rise, in a host of countries, from India to Egypt to Algeria, to hysterical, irrationalist forms of cultural nationalism and atavistic hysteria." The U.S. has played no small part in conjuring these forces to prominence by the funding, training, and broad encouragement of religious fundamentalisms to defeat communists and left forces in the Middle East. From CIA sponsorship of Saddam Hussein, Osama bin Laden and the Taliban the U.S. created the threats it later faced. At another level the connection between globalization and support of terrorism as well as the spawning of savage civil wars can be found in responses to downward mobility and the sense of humiliation of being held in contempt which in some cases is turned inward so that drugs, crime and the violence of self destruction dominate but in others are responsible for a heightening of ethnic chauvinism and religious fundamentalisms where such identity politics gives meaning to lives where capitalism in general and globalization in particular erodes societal stability. When

progressive movements of global civil society counterpose social justice and human dignity to the false measures of private benefits the efficiency criteria of the global state economic governance institutions impose they are raising issues questioning the instrumental rationality of capitalism with its inevitable pressure of community and democratic practice which in turn nourishes hate and violence.

It has been widely noted that the nature of wars have changes so that most conflicts do not only, or even primarily involve national armies but more and more often terrorists, militias, mercenaries, and criminal gangs. They are more often now about ethnic exclusion and identity politics constituted as squabbles over limited resources in which violence is directed against civilians using atrocities – torture, rape, mutilation and famine – as the tools of war. Globalization and the exclusion of so many peoples from its benefits and the world's concern are not innocent of such developments. The claims by neoconservatives in the Bush Administration that societies can somehow be rebuilt from 30,000 feet in “shock and awe” induced regime changes are now widely met with scepticism and despite what might be called “the Great Celebration” of globalization as an unambiguous good protests of both wars of empire and of neoliberalism gain strength and committed participation and broad approval around the world.

Conclusion

The erosion of state capacities, loss of legitimacy as governments have been less able to deliver basic security, economic and in many cases even physical security, or even hope reflects the workings of the global regimes of our time. To summarize our perhaps overly ambitious framing, the growing power of global state economic governance institutions which have been so centrally the target of civil society social justice movements are indeed enforcing a global neoliberalism and globalized state control institutions on the world's peoples. Behind these organizations are class relations and agendas which are not free of competitive negotiation among nationally based capitals. The role of the United States has been central to their formation

and evolution. The hegemon's imperial power needs to be further theorized in terms of competing class fractions and continuing struggles with both other nationally based capitals and popular movements. The extent of popular disillusion varies but disappointment with most post-colonial nationalist governments, whether corrupt, and/or ineffective, despotic or presumably democratic fuel disintegrative trends with impacts felt in extremist politics and popular despair in some parts of the world and to regional bloc formation in other centers of capitalist strength but without the creation of real alternatives to meet working class needs. This in turn foments calls for alternative explanations of the way things can be and what needs to be done. This of course is where the task of this organization and its members become relevant to making another world possible.

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