

# IMPERIALISM AND GLOBALISATION :

## OUTLINES OF AN ARGUMENT

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Capitalist imperialism since its inception two or three centuries ago has gone through many a transformation. Deeply rooted in some nation-state, capitalism is impelled by its own logic to cross national frontiers in search of new markets, cheap raw materials and higher profits with the help, wherever necessary or feasible, of the armed forces of the imperial power. Whatever changes may have occurred, there is one constant feature all through. Imperialism seeks to perpetuate the old division of international labour among nations. A handful of countries will specialise in industrial and other sectors with a high value-added, while those in the periphery will go on to hew woods, dig into mines and produce goods requiring just unskilled labour.

In the wake of World War II the USSR emerged as a Superpower and most erstwhile colonies and semi-colonies attained political independence. As a result, although force was never renounced, peaceful, economic and ideological levers of indirect control became increasingly the means by which economic surplus was extracted from the Third World countries into the centres of imperialism. Globalisation is a crucial component of the new strategy of imperialism in the present phase.

The term globalisation eludes an exact definition. Many scholars interpret it rather narrowly to imply a growing share of trade in world income or of cross-country investments in the aggregate capital formation. Historical statistics are far from definitive, and the sceptics, who believe that the shares have not moved up over the last century, may well be right. However valuable these indicators might be, globalisation has many more dimensions—economic, social, political and cultural. Some of these are documented and quantified, but for many others the evidence is qualitative and even anecdotal. Globalisation is a process that affects the rich as well as the poor countries, albeit in asymmetric ways.

- (a) Everywhere inequalities in income and wealth are accentuated.
- (b) All nations lose a good part of political and economic sovereignty, but the rich and powerful countries are able to retain their decision-making authority to a far greater extent than the rest of the world.
- (c) Thanks to globalisation many of the elite groups in developing countries become beneficiaries so that they, in effect, strengthen the imperialists in creating a new world order.

Let me consider the arguments of a highly successful industrialist of the younger generation, Kumara Manga-lam Birla. His family was in the front ranks of India's so-called national bourgeoisie in the colonial epoch, and an ancestor helped formulate the famous Bombay Plan of 1944, while his father, Aditya, was a

leading member of the Bombay Club of the early 1990s that protested against undue favours granted to foreign capital after 1991.

Kumara Mangalam Birla is now an ardent supporter of globalisation. Building on the success of India's IT sector, he has just called for a movement with a thrust on 'The Global Indian—Intellectual Capital of the World'. The credibility of it rests on a few salient facts:

*1/3rd of NASA scientists are Indians.*

*Over 5000 Indian professors teach in American colleges.*

*More than 30,000 doctors practise in America.*

*GE has set up its 2nd largest R&D centre in India with 1000 PhDs.*

*50 percent of Fortune 500 companies outsource work to India.*

*Over 35 percent of start-ups in Silicon Valley are by Indians.*

*India is among the three nations to build supercomputers.*

*India is the lowest cost producer of steel, aluminium, cement and CDs.*

In short, the Indians are doing extremely well in the USA, some Indian industries are now globally competitive, while others are so efficient that Americans are increasingly outsourcing from this country. It is just a matter of time before India is thoroughly transformed.

Opportunities in the West, especially in the USA, have greatly shaped the aspirations of the educated young people in India and many developing countries since the 1960s. This was reflected in the literature on the *Brain Drain*. What was once a trickle has now become a mighty river affecting the entire educational and vocational training system in these countries. Numerically, only a small fraction of the educated young succeed in going abroad, but many, many more strive for it.

Not only young students, but also thousands, if not lakhs, of professionals and businessmen from India get work opportunities abroad for short or long periods. Thus large and critical segments of the middle class have virtually become globalised in the sense that they enjoy global living standards while working in this country. During the last decade many transnational companies recruit locals at the managerial level with salaries (calculated at the purchasing power parity of the rupee as against dollars) at par with their counterparts in industrial countries. The media, especially the English-language press, and TV give prominence to the achievements and foibles of the globalised elites. The impact on the political discourse has been tremendous affecting all the political parties.

Returning to Kumara Mangalam Birla, how do Indians at NASA, US universities and Silicon Valley help India's development? They are part and parcel of the American system. There is the brilliant counterexample of Sam Pitroda who returned to India and created C-DOT and C-DAC, two of the finest Third World ventures in telecom and supercom-puters respectively with active support from Indian government. C-DOT, unfortunately, began to languish after 1991 in the neoliberal regime. Anyway, I cannot easily think of other men or

women in the same league as Pitroda. Abdus Salam, Pakistan's Nobel Laureate physicist, got funds to establish a world-class research centre for developing country scientists, but it had to be located at Trieste in the absence of all-round facilities in our countries. By contrast, in many of China's frontline efforts in defence and civilian industries Chinese scientists who had worked in the USA played a catalytic role with abundant backing from the government. Hence attaining intellectual success on the American soil can be a potential gain for countries like India, but the potential cannot materialise unless there is a radical shift away from neoliberalism.

A major premise of globalisers in India and many other countries is the abiding faith in the superiority of the US economic system over the rest of the world. This reflects the views expressed *ad nauseum* in the US media as well as academic journals. The US is not only the richest nation, but also experienced in the 1990s much higher productivity growth than elsewhere, and remains far ahead of others in breaking new frontiers of technology. It is simultaneously a very open society. Acting like a magnet, the USA attracts the world's largest amount of merchandise imports, draws in the biggest flow of both foreign capital (direct investments) and qualified manpower. It is a truly globalised economy. More than that: the prosperity of the rest of the world is vitally linked to the health of the American economy. Should it falter, shock waves will hit distant across the oceans.

Much of this is true. It is equally undeniable that all countries strive to attain American levels of prosperity. Leaving aside governments and the elites, hundreds of thousands of ordinary citizens from China, India, Bangladesh, Africa, Turkey, Mexico and Central America risk all family savings and make desperate attempts to migrate, legally or otherwise, to Europe and North America. As for governments, even the USSR from the 1920s set its heart on 'catching up with the West', and Mao Zedong during the Great Leap Forward days was hoping for China to surpass Britain within a short span of time. So this is a universal trend. How does one get there? The Americans today tell us to copy their economic system.

At the end of the World War II, in comparison with the USA, West Europe and Japan were very poor. Since then their per capita incomes have converged. It is not the occasion to elaborate on the underlying economic, social, institutional and political factors. There is general agreement, however, that the state played a major role in co-ordinating investments, putting up barriers against imports, and ensuring adequate finances by issuing directives to private and publicly owned banks. Indeed, in the 1970s and 1980s, American academics were pondering over why Germany and Japan had forged ahead so rapidly, and what the USA could learn from them. In the 1960s and early 1970s, government-sponsored researchers in the USA were busy forecasting when, not if, the Soviets would overtake the Americans. Some of the leading US academics who were engaged in these exercises now think that the Soviet planning was *ab initio* flawed, but that

leaves unanswered how the USSR reached the second rank among industrial powers.

At this point I shall make what may seem like a diversion. Granting that imperialism exploits the subjugated or dominated nations, our anti-imperialist discourse virtually ignored one major exception to the rule. For the first time in the history of capitalism, at the end of World War II, the USA took upon itself the task of providing aid to the war-devastated economies of West Europe through the Marshall Plan. The quantum of aid was not spectacular, but it was large enough to prevent acute hunger in several regions, and furnished dollars for the importation of raw materials and capital goods needed for the revival of West European industry and agriculture. The USA actively encouraged the creation of the European Union and promoted freer trade to hasten recovery across West Europe. The Americans goaded the respective governments to formulate long-term development plans, including protection against imports either from the rest of Europe or from the USA. As a result, post-war West Europe rebuilt its industries with domestic know-how and capital goods. Indeed, the USA went further in promoting West European export of manufactures to the US market. With some variations, the German 'miracle' of the 1950s was re-enacted in Japan, South Korea and Taiwan in the next couple of decades. Without unprecedented US aid in various forms, especially in providing access to the US market, and allowing at the same time the beneficiary nations to discriminate against US exports and foreign investments, there would have been no such miracles.

Why did the US act like a Santa Claus toward the small band of countries? On a narrowly economic plane, the US also gained immensely from the miracle economies; despite restrictions the latter imported bigger and bigger amounts from the US and helped maintain a high level of economic activity in the US. It was, as free traders say, a win-win situation. On the other hand, vis-a-vis the USSR and her allies the US over the same period, did its utmost to stop the flow of mutually beneficial exchanges, against the advice of leading American Scholars.

All the capitalist miracle economies just mentioned bordered on the Soviet bloc. At the end of World War II, socialist (anti-capitalist) ideas were sweeping through West Europe, Japan and many other countries. The prestige of the USSR was at its highest and Communist parties were very close to the seats of power (through parliamentary elections) in several of the borderline countries. Hence the material prosperity of these nations was a *vital strategic necessity* for the USA in the systemic struggle against the USSR. Interestingly, the USA at one stage offered Marshall Plan aid to the Soviets. Initially, Stalin was favourably disposed. Once the Americans unfolded the conditionalities (quite similar to those of present-day IMF), Stalin rejected the offer contemptuously.

Why was the free traders' win-win strategy not followed by the US or its allies vis-a-vis countries in Latin America, Africa or Asia that did not belong to the Soviet bloc? First and foremost, their material progress was of little concern to

the former in the Cold War scenario. Secondly, countries like India, Pakistan and Egypt were among the world's leading exporters of cotton textiles in the 1950s. Given the limited size of the American and West European markets, and the imperative of hastening the economic growth of allies in East Asia, the former introduced in the early 1960s a quota regime penalising the 'traditional' exporters and favouring the East Asians. Last but not the least, neoimperialism requires that a majority of nations remain poor and are compelled to facilitate the drain of their resources to sustain capitalist profits in metropolitan countries. After the collapse of the USSR a number of well-intentioned intellectuals, journalists, civil servants and politicians across the world have urged upon the US to formulate a new Marshall Plan for Africa, Latin America, East Europe, and so on. It had no impact on the US Administration in an era when America does not care for the prosperity of these lands.

It is far from accidental that neo-liberalism became the dominant ideology in the USA and Britain around 1980. No one yet foresaw the future collapse of the Soviet Union. Japan, West Germany and France were in the vanguard. Quite a few Third World countries like Brazil, Mexico, and India made impressive industrial advances and challenged the supremacy of the West in a wide range of industries. Simultaneously, the organised working classes in the West had, in the eyes of many, acquired too much power and were threatening the hegemony of Capital in the national arena. Neoliberalism was in essence an attempt to move away from 'welfare capitalism' of the post-war era and rewrite the rules of the capitalist system, both within the industrial countries and also in the area of international trade and finance with some of the objectives as follows.

- a. Cripple the USSR by imposing greater military burdens and intensified trade discrimination on Soviet exports and imports.
- b. Control the economic policies of countries like Brazil that suddenly faced external debt crisis; later, the same medicine was applied in the 1990s to India, S. Korea, Indonesia, Thailand, etc.
- c. Reduce state control over the economies of Japan and West Europe through privatisation and deregulation of industries across the board. This might open up huge investment opportunities for US firms.
  - d. Emasculate trade unions and curtail drastically social welfare benefits to create 'flexible' labour markets in all countries.

If these measures were implemented, as in fact they were, the production of goods and services in the chief industrial countries would become more efficient, the returns to capital, financial as well as human, would increase and there would be an all-round acceleration in growth. Direct taxes on corporations and individuals (especially those in higher income brackets) had to be drastically reduced to provide "right" incentives for the 'true' creators of wealth.

Let me now look at some of the consequences of neoliberalism in the USA.

- a. Inequalities in income and wealth have shot up exponentially in the last three decades, surpassing recorded levels of the past two centuries. A partial, but nevertheless revealing, indicator is the ratio of top executives earnings to the those of the average employee in big US firms; it has jumped over the past three decades from 40:1 to 500:1; the latter in real terms (inflation-adjusted) has virtually stagnated.
- b. There has been an implosion of financial scandals. In the 1980s there was the affair of Loan and Savings Schemes for which the US Treasury had to shell out about \$1000 billion to the depositors, but the manipulators barely faced any punishment. During the last couple of years press revelations have shaken the very foundations of the system. Top executives of most famous corporations managed to get for themselves fabulous pay and pension without the ultimate 'owners' (shareholders) being even aware of it. Through 'creative' accounting tricks devised by world-class accounting firms, many blue-star companies showed book profits to lure the ordinary investors while the companies were in the red; the managers with stocks made a neat exit but the mass of shareholders held papers that were reduced to junk. The managers of Mutual Funds (with investments of \$7,000 billion) made hay by illegally buying and selling stocks on personal account, while the actual owners, including millions of pensioners, bore all the losses as the Wall Street collapsed. Then there is the very special case of Enron, quite infamous in India for the Dhabol power plant near Mumbai, but was once touted in the USA as a 'stellar' new economy firm. Apart from accounting frauds, the company took a leading part in engineering California's power crisis in summer 2001 that saddled the state's coffer with a \$40 billion bill for the inflated energy charges. Still the company went bankrupt.

The scandals have a common trait. The 'man in the street' put his money hoping for a decent return. But the managers of companies and Mutual Funds, who were appointed, in theory, to look after the shareholders' interests, became virtually independent and pursued their own narrow self-interest at the cost of the owners. The regulatory bodies like the Securities and Exchange Control (SEC), and the State (US Congress and the White House) - all turned a blind eye as the 'man in the street' lost his shirt.

In short, the financial system helped rob the ordinary investors, pensioners and citizens for the aggrandisement of the managerial class.

- c. Personal income tax rate in the highest slab fell drastically in the USA from 80 percent in the 1960s to a mere 30 percent over the past two decades. Thanks to a liberal interpretation of 'permissible business expenses' the top as well as middle layer executives get a good part of their personal consumption financed by companies with a corresponding loss to the Treasury. A whole series of tax loopholes have been created that enable the rich and the super-rich to siphon savings to offshore havens and escape domestic taxes on earnings; the volume of such savings is hardly known but might well run into several hundred billion dollars. The Inland Revenue Service has been deliberately under-staffed and poorly funded so that culprits go undetected and scot-free.

Recently, Paul Krugman, a leading economist who was once a member of President Reagan's Council of Economic Advisors, wrote: Awhile back, George Akerlof, the Nobel laureate in economics, described what's happening to public policy as "a form of looting." Some scoffed at the time, but now even publications like *The Economist*, which has consistently made excuses for the administration, are sounding the alarm... "To be fair, the looting is a partly bipartisan affair." Regarding President Bush's \$726 billion tax-cut plan to create 1.4 million jobs, Krugman notes that the average American worker earns only about \$40,000 per year; "why does the administration, even on its own estimates, need to offer \$500,000 in tax cuts for each job created? If it's all about jobs, wouldn't it be far cheaper just to have the government hire people?" He refers approvingly to Franklin Roosevelt's Works Progress Administration that put the unemployed on the construction of socially useful projects.

At the macro or national level there are several major consequences.

- i) The household or personal savings rate has plummeted to almost zero in the recent past. This is most surprising for such a rich country.
- ii) There is a chronic deficit in the US Federal budget; the States, too, are in a similar predicament. And yet new tax concessions are granted regularly for a variety of reasons.
- iii) Owing to the fiscal crunch government expenditure on social services have been kept on leash. Thus unemployment benefits were slashed to bring about "more flexibility" in the labour market, while about a quarter of the population go without any medical insurance, although the costs of healthcare are far higher than in other industrial countries.
- iv) The US has been on a borrowing spree for about a decade, amounting to several hundred billion dollars a year, or about 5 percent of the GDP. The size of her net liabilities today dwarfs the external debt of the worst among developing countries.

American economists of different political shades wonder how long other countries will go on financing the US deficits, and what will happen when they stop.

Many developing countries, including India, have witnessed changes similar to those in the USA. Taxes are cut although fiscal deficits show no signs of amelioration. Scandals in different shapes and sizes are abundant. Inequalities are hitting the roof.

What about democracy? The hiatus between public opinion and official economic policies are extremely wide. Three-fourths of the American public consider that the corporate lobbies have too much influence on Congress and the White House. Yet the elected bodies move even more in that direction. Although I am not aware any such polls in India, in China polls have revealed a strong anti-capitalist view. Whether there is formal democracy or not, rising inequalities remain a major concern at the global level. I have little doubt that once political institutions are

refashioned to mirror more accurately the aspirations of the vast majority in different parts of the world, it will spell disaster for the forces of imperialism and globalisation. ~~del del del~~