



Imperialism and Capitalism in the Twenty-First Century

A System in Crisis

**James Petras and
Henry Veltmeyer**

IMPERIALISM AND CAPITALISM IN THE TWENTY-FIRST CENTURY

Globalization, Crises, and Change

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Imperialism and Capitalism in the Twenty-First Century

A System in Crisis

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Introduction

This book is about a system in crisis: capitalism in the era of neoliberal globalization. Because the system over the years has expanded from its initial nucleus in the cities and urban centers of what we might term the “global north” into virtually all corners of the world, including the developing societies of the “global south”, the forces released in the capital accumulation process now operate on a global scale. A major impetus of this “development” and the associated process of productive and social transformation was provided by the “new world order” installed in the 1980s under conditions of a conservative counterrevolution that pushed back against the gains made in previous decades through the agency of the developmental state and the class struggle. One of these conditions was the financialization of economic development, which led to the separation of finance or investment capital from its productive function in expanding the forces of production in the real economy, and also the growth of a money economy divorced from the real economy so large as to absolutely dwarf the real economy in size and the value of economic transactions,¹ and an increase in the number, frequency, scope and virulence of financial and economic crises—culminating in the 2008 global financial crisis. This crisis was a by-product of the system of free market capitalism established with the neoliberal world order. Another was the loss of the sovereign power of the state to harness its wealth of human and natural resources to a project of national development, design an industrial policy in the national interest and to bring about an inclusive form of development based on the reduction of poverty and a more equitable distribution of the social product.

Both this industrial policy and its sovereign claim to its own resources were surrendered as the price of admission into the new world order, the cost of participating in the process of “globalization”, which was publically presented and sold as the only way of making economic progress and achieving prosperity. The “structural reforms” of the Washington Consensus (privatization, deregulation

1 It is estimated that the total value of economic transactions in just one of the hundreds of existing money and capital markets—the London market based on the speculation by investors’ on changes in the value of one currency against another, and betting that the value of the currency bought would go up relative to the currency sold—exceeds by a factor of 20 the total value of world trade. In this context it is estimated that less than 5 percent of the money circulating in the world’s financialized economies has any productive function whatsoever; i.e. serves as a catalyst of economic growth in the real economy, serving simply as a means of generating huge profits on fictitious capital, pieces of paper without any assets to back them up or give them real value.

of markets, liberalizing the flow of investment capital and goods across national boundaries), designed as means of integrating all economies into one worldwide system governed by the rules of free market capitalism, prevented governments from protecting domestic producers, workers and communities from the destructive forces of capitalist development. They also resulted in the rapid growth of an enormous global divide in the distribution of wealth and income, with an enormous concentration of wealth and poverty at the extremes of this distribution.

Under the conditions of this uneven development, the production crisis of the 1970s, together with the fiscal crisis of the 1980s and the debt and financial crises of the 1980s and subsequent decades, have morphed into a multidimensional crisis that has leached from the financial system into the very foundations of the economic and political system, undermining the system of global and local production and the ecosystem on which people depend for their livelihoods, threatening the right of people all over the world to a decent quality of life.

The World in the Vortex of Social Change and Post-Neoliberal Capitalist Development

The capitalist system is in crisis but the crisis is by no means global. Indeed it seems that both the epicenter of the crisis and its reverberations are found at the center of the system—within the US economy, still the largest in the world, and in Europe. But on the periphery of the system there is considerable continuing dynamism. China has emerged as a major economic power with over two decades of exceedingly rapid growth, resulting in an economy that is expected within 10 years to outpace the US economy, the industrial base of which has been eroded by three decades of financialized production and development under the neoliberal paradigm of free market capitalism. The forces of change in the global economy have given rise to a number of “emerging markets” based on an expanding middle class with an appetite for material consumption and the income to match. The purchasing power of this class, combined with large-scale private and state-led investments, is the driving force of the world economy today. This includes Brazil and Russia, as well as China and India (the BRICs). On the African continent, a number of economies have been growing at an even faster pace than the BRICs—at 6 percent per capita—giving rise to a new development discourse as to the benefits of combining economic liberalization with natural resource extraction as a development strategy for countries that are resource-rich. Of course, this ignores entirely the heavy hand of the state in the ascension of China as a world economic power. The rapid growth of the Chinese economy is clearly state-led and can be attributed to the involvement of the state in developing the forces of national production on the basis of productive investment and the exploitation of the unlimited supply of cheap surplus labor generated in the capitalist development of agriculture and industry.

And what about Latin America? Notwithstanding four cycles of neoliberal policies implemented in conditions of a Washington-based consensus on the need to liberate the forces of economic freedom from the regulatory constraints of the development state, the neoliberal era is drawing to a close. Three decades of neoliberal policies have produced conditions that have bred and given rise to forces of resistance against both neoliberalism and US imperialism, and with these forces a legitimization crisis. In the vortex of these forces and a multidimensional crisis the region is on the threshold of change in the struggle to shape the future.

At stake is a world to win—how and in what direction to mobilize the forces of change released by a system in crisis? At issue is whether and how to advance capitalism in some new or hybrid form, and how to protect it by all means available, including the instruments of economic, political and military power of the imperial state. Is the future capitalism—harnessing the power of the capitalist market and the state? Or is it socialism in some new or hybrid form: socialized production and participatory development, protection of the global commons (of land, water and the stock of renewable and non-renewable resources bound up in it), defense of people's territorial rights to these resources, the democratization of policy-making and governance regarding the exploitation of both natural and human resources, and a more equitable sharing of the product of collective activity and economic cooperation?

Beyond the Crisis

Both the capitalist system of global production and the neoliberal world order are in crisis. However, the crisis is far from global. Indeed, both the epicenter of the so-called global financial crisis and its ramifications are concentrated in the US and Europe. In other parts of the world system there is considerable dynamism. Although China's economy has begun to slow down it still exhibits a considerable capacity for continuing growth. By many accounts this growth is based on the super-exploitation of the abundant supply of cheap surplus rural labor released in the process of capitalist development. The productive and social transformation induced by this process has brought about the growth of a large middle class with incomes that has expanded the market for all sorts of consumer goods. At the same time the demand by the Chinese economy for fossil fuels and other sources of energy, and a broad range of industrial minerals and metals, has spurred a boom in the production and export of primary commodities which has fuelled a process of export-led growth in Latin America.

There is a growing consensus among economists that the next decade if not the century belongs to China. At the same time, some economists have noted that a number of economies in Africa over the past decade have grown at an even faster rate than Asia, and the Inter-American Development Bank in July 2010 declared that the second decade of the new millennium would be "Latin America's decade." This might be premature—and this is not the first time for such a prognosis. In the

early and mid-1990s the IMF and the world business press were euphoric about the “bold policies” that the governments of Chile and Mexico were taking on the path to recovery and growth. The IMF firmly predicted that with plentiful external financing the “bold” liberalizing reforms introduced in Latin America would result in the region leading the world in economic growth, a confidence that was shaken by Mexico’s Tequila crisis in 1995 and the subsequent meltdown in Asia which hit Latin America hard, and also Brazil’s blow-up in 1998 and the subsequent crisis in Argentina. But then within two years Argentina had recovered and, together with other countries in the region, began to ride a wave of booming commodity exports towards another spurt of economic growth—before the boom went bust in the ripple effects of the global financial crisis.

However, subsequent developments in the new millennium have led to another turnaround in economic development thinking: the belief that policy makers might at last have found the formula for success. A few months after the IDB’s declaration of “Latin America’s Decade,” *The Economist* endorsed this idea, since repeated by countless apologists and experts. There is nothing like a little economic growth to get pundits’ juices flowing. And indeed Latin America grew by another 6 percent in 2010 and close to 5 percent in 2011, while the engine of economic growth either stalled or slowed down in other parts of the world. Compared with the region’s mostly sluggish performance over the last three decades this began to look like take-off velocity, giving rise to a bullish mood among investors and another outburst of cautiously optimistic prognostications.

And, what about today, two and a half years later? The region shares two features with the earlier episodes of financial euphoria over Latin America: sky-high commodity prices and cheap international money. In fact, for many countries the terms of trade are higher and the relevant global interest rates lower than they have ever been. These factors, more than a shift in strategy (“bringing the state back in”) and policy (beyond neoliberalism), or regime change (a move to the center-left) in recent years, seem to be propelling growth. Indeed, today there are two Latin Americas: natural resource-rich South America and resource poor Central America and Mexico. Not surprisingly, South America is growing much faster than its neighbors to the North—4.4 percent (versus 2.7 percent in 2010–11), according to a recent Inter-American Development Bank report. The report estimates that Argentina’s economy will expand by 6.1 percent and Brazil is fast becoming an emerging economic power based on large-scale public and private investments that have mobilized the country’s vast stock of natural, human, and manufactured capital.

Access to various forms of global capital, including foreign direct investment, and diverse capital markets, is also a factor in the case of Brazil. The financial markets’ new darling is Brazil, which grew at a breakneck 7.5 percent pace in 2010 fuelled by almost \$100 billion in capital inflows. With the measures and strides taken by Brazil in the direction of reducing both the rate of extreme poverty and one of the highest rates of social inequality in the world, it managed to remove what World Bank economists now believe to be a major structural impediment to

economic growth: an excessive inequality in the distribution of wealth and income. Does this apparent success herald a new form of post-neoliberal capitalism—the capitalism of the twenty-first century? Or will the capitalism of the twenty-first century take the form that capitalism appears to be taking in Mexico—what we have termed “narco-capitalism”?

Looking beyond Mexico, Brazil, China and other countries in the different regions of the world it is evident that capitalism has become a world system. The latest advances in information technology and the policies of the neoliberal world order have worked to integrate economies and societies across the world into one system. However, this development has been very uneven, resulting not only in a new cross-country class divide in which a small group of super-rich within the global ruling class has appropriated an extraordinary large share of global wealth but in a global realignment of economic power. China in this new world is taking over from the United States, and a new bloc of medium-sized economic powers has been formed to make up for the declining economic dynamism in the United States and Europe. With the eclipse of US economic power and an associated restructuring of international relations there is a general agreement that the twenty-first century is shaping up as China’s century. What is uncertain is whether China will become a new hegemon and what position the United States will have and what role it will play in the emerging new world order. Also at issue—a question addressed in this volume—is whether national development in this new context will take a capitalist or a socialist form. And if capitalist, in what form?

In this book we argue that the world is at the crossroads of fundamental change, which is unlike but yet comparable to conditions almost precisely 100 years ago when Rosa Luxemburg summed up the world situation in the formula: barbarism or socialism? As we see it, capitalism in its relatively short neoliberal phase has set the stage for a momentous but as yet indeterminate struggle to organize and mobilize the forces of change in possibly a capitalist or socialist direction. At issue here are questions as to who is best able to organize and harness the emerging forces of change and in what direction they will be mobilized? In the current conjuncture of a system in crisis—a major realignment of world economic power, the waning power of the US to manage events and dictate developments, and the demise of neoliberal globalization as an economic doctrine and mobilizing ideology—the outcome is uncertain. But given the high stakes—capitalism or socialism in some new form—we need to understand better the forces at play. This book is designed as a contribution to this end, and to stimulate debate on the issues involved.

Capitalism and Imperialism in the Twenty-First Century

Based as it is on social and international relations of exploitation, capitalism is driven by forces that lead inevitably to uneven development and conditions of social inequality that threaten to reach crisis proportions and generate forces of resistance as people fight back against these conditions. Capitalist development of

the forces of global and national production thus is contradictory and fundamentally unstable, rift with conflict. That is, the dynamic forces of capitalist development are impelled by contradictions intrinsic to capitalism. Chapter 1 outlines the principal contradictions of capitalist development, the contemporary dynamics of which are elaborated in subsequent chapters.

The history of capitalism, regarding the past, the present and its possible or likely future can be traced out and explained in terms of the operation of these forces as they play out in different parts of the world under conditions that cannot be fully anticipated and should be studied and understood on their own terms. For example, the near collapse of the capitalist system in the early 1930s, in the wake of a financial crash with repercussions that reverberated through the entire system, led to the formation of the welfare state which was designed to restrain the fundamental impulse of capital towards the free play of self-interest in the quest for profit. The system of welfare capitalism, based on a mixed economy and a welfare state, was designed to save the system from itself—from a propensity towards crisis and uneven development of the forces of production, and the polarization of society between the wealthy and the poor, which in the long run will reach crisis proportions and generate the political forces of social change.

As capital expanded and capitalism was internationalized in the post-Second World War era, conditions were created for the formation of a development state, which was designed for ‘economic growth’ (to advance the accumulation of capital) but also to contain the impulse towards excessive economic freedom, subjecting capital to the regulatory and institutional constraint of the welfare-development state and a liberal world order. However, by the end of the 1970s the costs of constructing and maintaining this state (the welfare and development programs) in conditions of a system-wide production crisis led to a fiscal crisis in countries at the center of the system, while in the global south, on the periphery of the system, a massive expansion of bank capital led to a debt crisis of monumental proportions and with it conditions that forced heavily indebted governments in Latin America and the Caribbean, and in sub-Saharan Africa, to submit to the dictates of Washington regarding the free movement of capital. The combination of a production crisis (in which the dominion of US capital over the world market was challenged by competing German and Japanese capitals) and a fiscal crisis in the north, and a debt crisis in the south, generated a vortex of forces that gave rise to a new world order in which the ‘forces of economic freedom’ would be liberated from the regulatory constraints of the welfare-development state.

In the 1980s Latin America emerged from the dark days of military dictatorship with the hope that democracy would bring social justice and an improvement of the social condition of most people, at least 40 percent of whom were poor if not destitute, unable to meet their basic needs. It was not to be. Forced to accept the austerity policies and the free market capitalism doctrines of the Washington Consensus, weak governments—weakened by an accumulated external debt of crisis proportions—auctioned off public resources at bargain-basement prices and were drawn into the vortex of global capitalism and the new world order set

up to advance its operations. The elite, and the leading elements and dominant fraction of the capitalist class, benefited while most people gained next to nothing or lost. Jobs barely increased—and these were almost entirely in the so-called informal sector where workers had to fend for themselves without the regulatory protection of the state or government services—and poverty increased, up to 44 percent by the end of a decade which was “lost to development.” Workers were at a particular disadvantage and suffered the brunt of diverse forces of change. The labor movement had been laid low by a decade of state repression and was further weakened by the forces released with the structural adjustment of the state’s economic policies to the requirements of the new world order. For those able to find work the value or purchasing power of their already low wages were further compressed by the growth of an industrial reserve army of unemployed and rural landless workers. Whether working for wages in the formal sector or on their own account in the burgeoning informal sector workers and their families also suffered from rising prices and spiraling rates of inflation.

As the mildly redistributive measures and the welfare role of the government were abandoned or cut back, the image of the old nation-state with a responsibility for welfare and development began to erode. The middle classes, as well as the urban and rural poor, disassociated their idea of national identity from the state and began to form associations and construct their own social organizations that would be perceived by some as “new social movements” and by others as an emerging “civil society.” In this context there was a deep crisis of political representation within self-defined “democratic state.” Traditional parties alienated voters and the politicians who replaced the military dictatorships and armed forces soon exhausted their credibility with the adoption of the neoliberal agenda. By the end of the 1980s all but four governments in the region had turned towards this agenda, and in the 1990s the holdout governments—Argentina, Brazil, Colombia and Peru—also fell into line.²

Implementation of the Washington Consensus on the need for all governments to adjust their policies to the requirements of the new world order released forces that would destroy the productive forces of capitalist development in both industry and agriculture on the periphery of the system.³ But the social conditions

2 On these policy dynamics and the popular responses to them see Petras and Veltmeyer (2001, 2005) and Veltmeyer and Petras (1997, 2000).

3 As discussed in Chapter 3 this so-called ‘creative destruction’ affected both industry and agriculture and resulted in the dispossession, impoverishment and massive expulsion of the small landholders and peasant farmers in the countryside, converting many of them into a massive semi-proletariat of rural landless workers and others into an urban proletariat of informal street workers working ‘on their own account’ in the burgeoning ‘informal sector’, which accounted for up to 80 percent of new jobs and employment generated in the decade. The World Bank (and other agencies of international cooperation) saw this process of productive and social transformation as positive, an adaptation to progressive forces of change (industrialization, urbanization, modernization, globalization).

of this development also generated powerful forces of resistance that threatened to destabilize the system, requiring the architects of capitalist development and the guardians of the neoliberal world order to step in once again to control or manage these forces—to establish in the process a new form of development (the new developmentalism, social inclusion), a new regulatory regime and a new form of governance. The aim was once again to contain the conditions of uneven development, place some limits to the excessive inequalities and to reduce the incidence of poverty, the conditions of which threatened to assume crisis proportions and undermine not only the neoliberal agenda but also the entire underlying system.

The solution was a new form of development: the new developmentalism—a more inclusive form of development based on “a better balance between the state and the market” and a new social policy that targetted some of the proceeds of economic growth at the poor, providing them greater access to government services that would increase their “opportunities” and their social mobility. The agency of this new development paradigm and economic model was what might be termed the “post-neoliberal state”, formed in the wake of a wave of anti-neoliberal sentiment originating in the active resistance of new peasant-based and led social movements in the 1990s.⁴

This was the context in which progressive forces within the political class (the center-left) assumed state power in riding this wave of anti-neoliberal sentiment. In the last two decades of capitalist development in the form of neoliberal globalization mass mobilizations—particularly by the indigenous peoples in the region but also organizations of rural landless workers and, in the case of Argentina, unemployed urban workers—brought down three presidents in Ecuador, four in Argentina, and one each in Venezuela, Brazil, Colombia and Peru. The social movements also challenged US hegemony as well as the neoliberal policies of the government; they slowed down or blocked the privatization of state enterprises and the capitalist development and alienation of natural resources, building a new sense of identity and class power forged by ethnic and class demands and uniting the marginalized, the exploited and the oppressed.

At the turn into the new millennium the agencies for international cooperation and development, led by the World Bank but including the entire spectrum of international organizations within the UN system (UNDP, ECLAC, UNESCO, UNDESA, UNRISD, FAO), came together to relaunch the offensive against global poverty in the context of a new global development strategy designed to offset the growing pressures for revolutionary change—to abandon the capitalist

4 On the dynamics of these social movements see Petras and Veltmeyer (2005, 2009). The capacity of the working class to organize any resistance to neoliberal policies was weakened where not destroyed. It fell to the rural landless workers and other types of ‘dispossessed peasants farmers’—and in some contexts (Chiapas, Bolivia, Ecuador ...) the indigenous communities, the rural poor in development parlance—to lead the forces of resistance.

system. The World Bank and its sister IFIs and development agencies by the mid-1990s had already enlisted the support of “civil society” in the project of resisting such pressures for revolutionary change by providing the rural poor an alternative to the social movements: local and community-based development based on the agency of grassroots organizations of the poor with international cooperation and social participation. The strategy worked—more or less. In Ecuador it succeeded in dividing the most powerful indigenous movement in Latin America (the Confederation of Indigenous nationalities of Ecuador—CONAIE), weakening its capacity to mobilize the forces of resistance.⁵ In Brazil it succeeded in softening the stance of the country’s—and the region’s—most powerful social movement *vis-à-vis* the country’s “third way” national development path staked out by President Fernando Cardoso and followed by his successor, Luis Inácio [Lula] da Silva, leader of the Worker’s Party (PT). In Bolivia, the forces of revolutionary change were waylaid not by means of turning to “civil society” as a strategic partner in the development process but by the Movement towards Socialism (MAS), a left-leaning and social movement-supported political party led by Evo Morales, the leader of an organization of coca-producing indigenous peasant farmers (*los cocaleros*). By the end of the 1990s, in a turn away from the social movements and towards a “new way of doing politics” (NGO-mediated projects of local development and local politics), the way was paved for the political class on the center-left to reengage the forces of political change and displace the social movements in the process. At the same time, even before a string of center-left electoral victories—the so-called red or pink tide of regime change in Venezuela, Brazil, Bolivia, Uruguay, Nicaragua, Ecuador—a victory of sorts had already been won: the demise of neoliberalism as an economic doctrine to legitimate a development path of free market capitalism.

The subsequent formation in the region of a post-neoliberal state has generated a series of debates, particularly in regard to the character of these regimes and the development model used to formulate and pursue their development strategy. The leading issues in this debate will be dissected and discussed below but the bottom line is that the regional dynamics of economic and political development—and the nature of the capitalism and imperialism of the twenty-first century—have a lot to do with the workings of this state, the main institutional form of capitalist

5 In Ecuador as elsewhere the NGOs were used as a means of turning the poor away from the confrontational politics of the social movements, providing them an alternative and less confrontational approach to social change. The World Bank implemented its ethnodevelopment strategy of weakening the forces of resistance by playing up the indigenous factor in this resistance (the concern for ethnic identity and politics) and ignoring the class factor (the land struggle of dispossessed peasants). In converting Vargas, the erstwhile maximum leader of CONAIE in its 2000 uprising and successful assault of state power, into the CEO of what would become one of the region’s biggest NGO, funding it to the tune of \$50 million per annum, the World Bank succeeded in dividing the movement and weakening its mobilization approach to social change.

development in Latin America today. The economic and political dynamics of this state, and the Latin American regimes that exemplify it, are discussed in Chapters 3 and 8, with particular regard to the extractivist strategy of economic development that they have adopted.

In other regions of the world capitalist-imperialist system these dynamics are not as easily understood or confined to the dynamics of a post-neoliberal state (confined to the dynamics of a post-neoliberal state). For example, in the United States and Europe at the center of the system, current and future developments are better understood with reference to the fundamental economic, social and political dynamics of a system in crisis as well as the latest twists and turns in a “battle for the world market.” The crisis of Western (neo)liberal capitalism, and a corresponding weakening of US-led imperialism, coincided with the rise of powerful new forms of state capitalism in China and other “emerging markets”—the visible hand of global capitalism⁶—and the emergence of powerful forces of resistance and change, the dynamics of which and their outcome are by no means clear. In Egypt (the subject of Chapter 12) and other countries in the Middle East and North Africa, the world has witnessed a process associated with the idea of democracy in its globalizing dynamics (in its supposed march towards the “end of history”), extending to this region the ‘battle for democracy’, a process that can be traced back to nineteenth-century Europe but that has achieved a new lease of life in the diverse manifestations of “people power” associated with the emergence of a global civil society formed in response, and opposition to, the neoliberal capitalist world order. Elsewhere, people in all kinds of situations in countries all over the world both in the north and the south of a persisting if not expanding global divide are struggling to survive and adjust to powerful albeit little understood global forces of change. Behind many of these forces are the workings of a system fraught with conflict and in the throes of a multidimensional crisis of global proportions.

6 In the 1990s, in the wake of two far-reaching and hard-hitting cycles of privatizations, most state-owned companies were little more than government departments in emerging markets; and the assumption was that as the economy matured the government would close them down or privatize them. However, these state enterprises are showing no sign of relinquishing the commanding heights of the global economy. For example, measured by reserves the world’s ten biggest oil-and-gas firms are all state-owned; and state companies account for 80 percent of the value of China’s stock market and 62 percent of Russia’s. And these and other state enterprises, mostly based in the ‘emerging markets’ of the BRICs, are on the offensive. State-backed firms accounted for a third of the emerging world’s foreign direct investment in 2003–10 (*The Economist*, January 21: 11) and are major players in the resource extraction industry. In 2009 China Mobile and another state giant China National Petroleum Corporation, made profits of \$33 billion—more than China’s 500 most profitable private companies combined. Many of these firms are not state-owned but are supported with cheap credit provided by the government.

The Globalizing Dynamics of Capitalism and Imperialism

This volume takes the form of a number of analytical probes into some of the dynamics of capitalist development and imperialism in contemporary conditions of a system in crisis. It is too early to be definitive about the form that capitalism and imperialism—and also socialism—might be or is taking. This is because we are in but the early stages of a new developmental dynamic, the conditions of which are too complex to anticipate or grasp in thought; they require a closer look and much further study from a critical perspective. The purpose of these essays is to advance this process and give greater form to this perspective.

Chapter 1 establishes the fundamental “laws” or dynamics of capitalist development, including a propensity towards crisis, unevenness in its development of the forces of production, the dispossession and proletarianization of the direct producers, and the polarization of a class-divided society between the rich and the poor. With reference to these dynamics the chapter establishes diverse manifestations of what the United Nations has termed the “inequality predicament.” The predicament is that in the drive to accumulate capital the system leads to an unequal distribution of wealth and income, the conditions of which have reached such proportions as to threaten the very survival of the system. In the twentieth century the trend towards a global development divide and a deepening of social inequality was contained by the welfare-development state, and the class conflict that it propagated was manageable, and indeed it was managed. But in the new neoliberal (and imperial) world order the drive to accumulate capital was released from constraint, unleashing forces of self-serving greed and with these forces the complex dynamics of a crisis that threatens to undo the system.

Chapter 2 provides an overview of the contours of Latin American development over the past three decades of capitalism and neoliberal globalization. It is guided by reference to four fundamental and interrelated questions, namely, (1) how to understand capitalism in the current phase of its development of the forces of production: as “development” or globalization”, or as “imperialism”? (2) What form does the “agrarian question” (how capitalism transforms a society based on agriculture and tradition into a modern industrial system) take in the current context of neoliberal globalization? (3) What is the social base and class character of the regimes that have come to power over the past decade? And (4) what are the prospects of and possibilities for progressive social change in the current context of neoliberal demise and transition to a post-neoliberal state? In regard to these questions it is argued that the region is at the crossroads of change—of forces that are pulling and that cut to both the left and the right. At issue is the direction and form that capitalism is taking in conditions of systemic crisis.

Chapter 3 turns to the land struggle in the particular context of Latin America. The struggle for land and the associated struggle on the land is the central dynamic of capitalist development in the historic transition from a society and economy based on precapitalist relations of production, a traditional culture and agriculture into a modern industrial and capitalist system. The central concern of the chapter

and its central focus is on the political economy of “primitive accumulation”: the dispossession of the direct producers, small-scale landholders and peasant farmers, and their subsequent proletarianization: their conversion into a class of rural landless workers—and, in the contemporary context of neoliberal globalization—an urban proletariat of informal street workers. In this context the agrarian question (and the process of primitive accumulation by dispossession—“landgrabbing” in the parlance of critical agrarian studies) has taken the form of a class struggle over the land, a struggle that has played out as a land reform process. The main form taken by this process is a social movement of landless or near-landless peasant farmers in a struggle to reconnect to the land, a politics of collective action and land invasions. The chapter traces out the history of this struggle and associated dynamics of land occupations, with specific reference (in the current context) to the role played by the Rural Landless Workers movement (MST) in Brazil over the past two decades. The chapter also looks at the two alternative approaches to land reform associated with the development state in the 1960s and 1970s, and the World Bank in its promotion of “market-assisted” land reform in the 1990s and beyond.

Chapter 4 probes the contemporary dynamics of capitalist development in Latin America, specifically the pattern of sustained and robust economic growth, stability and declining inequality exhibited by the major economies in the region and sustained over the past 10 years, even in conditions of a global financial crisis. In contrasting the patterns of growth and inequality between the crisis-ridden “North” and the biggest economies in Latin America we raise the question of what lessons can be drawn from the South American experience, and what “structural adjustments” would be necessary to pull the US and Europe out of the downward spiral of stagnation and conflicts that have characterized these regions for the better part of the past decade.

Chapter 5 delves into the capitalist development process as it is playing out today in the United States at the center of the world capitalist system and still the world’s biggest economy. The prognosis in regard to the immediate future and what remains of the decade is bleak in regard to both the performance of the economy and living capitalism. The consensus, even among mainstream orthodox economists, is pessimistic regarding the position and performance of the US and Europe in the world economy. Although even here their predictions understate the scope and depth of the crisis there are powerful reasons to believe that in the second decade of this century we are heading toward a steeper decline than what was experienced during the Great Recession of 2008–2009. With fewer financial resources, the erosion of the economy’s industrial base, escalating costs of maintaining security and the empire, an expanding debt of astronomical proportions, the intransigence of a conservative movement mobilized around the utopianism of the free market, the lack of any signs of a politics of income redistribution and thus a further contraction of the domestic market, and growing popular resistance to shouldering the burden of saving the capitalist system, the prospects for the government of the day and the governing regime in the years ahead to revive the economic system and improve conditions are not good.

Chapter 6, authored by two of our Latin American collaborators from Mexico, turns to the globalizing dynamics of labor. The rules of the new world order installed in the 1980s were designed not only to liberate the forces of “economic freedom and democracy” (to quote from George W. Bush’s post-9/11 National Security Report), but to facilitate the unrestricted and unregulated movement of capital and tradable goods and services across national boundaries and on a global scale. But there was no institutional mechanism or intent to promote the free movement of labor in the global economy. The regulatory powers of the nation-state, restricted where not removed *vis-à-vis* capital markets and international trade, are still very much in place, allowing governments in the labor-short migration-receiving countries (mostly in the global north at the center of the system) to use migration policy as a tool for regulating the flow of migrants.⁷

The chapter explores in a regional context the dynamics of the international labor migration process as a lever of capital accumulation in the formation of a global labor market. It is argued that Mexican labor has a particularly important role in the capitalist development of the US economy, a development facilitated by the machinations of the US imperial state. The argument is that the migratory flows between Mexico and the US reflects the workings of a particular model of capitalist development based on the export of cheap labor, both direct in the form of labor migration and indirect in terms of the functioning of the maquiladora system of manufacturing production. For example, Mexico entered into the orbit of US industrial capitalism under the auspices of a cheap labor export-led model promoted by US corporate industrial capital and with the support of the US government, which created the rules and conditions required for the implementation of this model. NAFTA, the North American Free Trade Agreement between the US, Mexico and Canada, provided the institutional mechanism for enforcing the rules governing “free trade” between these countries. It also facilitated the workings of a model based on the super-exploitation of Mexican migrant labor and throwing the country into the jaws of the US multinationals. That is, the US imperial state

7 There is a huge literature on the shifting dynamics of migration policy in regard to both (i) political and environmental refugees, and (ii) labor market requirements for migrant labor. Migrants, of course, are processed and admitted in different categories: basically as refugees, family members and economic migrants, who could be admitted for their skills (around one third of all immigrants accepted by Canada), entrepreneurship or for their money (in the investors category), usually in small numbers. As for migration policies regarding labor, the predominant concern of the admitting government, the issues are complex and country specific; but the problem in each case is to define the criteria used to control immigration to match labor market requirements. A special report on migration published by the Canadian daily newspaper the *Globe and Mail* (April 5–6) is symptomatic of the policy considerations of many governments in the major migrant-receiving countries. ‘The challenge of the 21st century’, according to the editor of this report, is that ‘Canada’s social fabric is at risk from labor shortages’, and, the editor continues, ‘[t]he smart answer is to radically increase immigration and bring the world’s best and brightest here’ (*Globe and Mail*, May 5, 2012: 1).

was instrumental, first in facilitating the Mexican operation of US capital that resulted in the expulsion and proletarianization of masses of small-scale peasant farmers—a ready supply of cheap labor rendered surplus to Mexican agriculture; and secondly, in creating a policy regime conducive for the exploitation and exportation of this labor.

Chapter 7 explores some of the dynamics of the so-called “global financial crisis” as they have played out in the US and Europe at the epicenter of this crisis. In addressing this problem we assume that this crisis, like all crises, serves as a means of restructuring the system—to shake out underperforming and weaker agents in a process of creative destruction and at the same time create conditions for a new round of capital accumulation. As it turned out, the agents and institutions of finance capital, the major force behind the recent financial meltdown and the principal detonator, the major market failure since the stock market crash in 1929, recovered from their losses—over \$4 trillion according to the IMF. This was largely the result of a huge bailout orchestrated by the politicians who hold and exercise the power to make policy and dispose of the public funds needed to restore order to the global capital markets and the national accounts of the countries affected by the crisis. With this bailout, plus the magic of the market in restoring the value of the elite’s non-toxic financial assets, the billionaires at the apex of this elite not only recovered the pre-crisis value of their financial assets, but their fortunes had increased by as little as 25 percent and as much as 37 percent.

From the perspective that the rich have a higher propensity to save and invest than workers and middle class households (they would simply increase their consumption of goods) it is ‘sound economics’ to bail out the rich—the primary beneficiaries of neoliberal policies and the agents of the crisis—while imposing fiscal discipline on governments and belt-tightening austerity on tax-paying consumers and citizens. In effect—and this point is argued in some detail—the global financial crisis has been used to the strategic advantage of capital in its class war against labor. It served to impose and consolidate the dominance of capital over labor, converting a crisis of capital into a crisis for labor. Hence the question and sub-title: Who profits? Who pays—bear the costs?

Chapter 8 shifts the focus of the book from the financial crisis to the policy dynamics of what we term ‘extractivist imperialism’, the form taken by capitalist development in the context of an emerging post-neoliberal state. This State as we describe it is the product of diverse forces of change that in Latin America came to a head in the first decade of the twenty-first century: the demise of neoliberalism, a turn to the left in national politics and an associated process of regime change, a post-Washington Consensus on the need for a more socially inclusive form of development, the ascension of China in the global economy and a concomitant primary commodities boom, and the globalizing dynamics of extractivist capitalism and imperialism. The chapter elaborates on the policy and politics dynamics of this development, its negative environmental and social impacts, and the forces of resistance against these impacts mobilized by the local communities and indigenous peoples most directly affected by the capital

accumulation dynamics of natural resource extraction. The chapter reviews these dynamics with relevant evidence.

We live in a time of dynamic but generally regressive regime change—a period in which major political transformations and a rollback of a half-century of legislation are accelerated under conditions of a prolonged and deepening economic crisis and a worldwide offensive against the citizenry and the working class. In Chapter 9 we reconstruct in narrative form the dynamics of regime change in the current era of post-neoliberal capitalist development that have had a profound impact on governance, the class structure, economic institutions, political freedom and national sovereignty. The second part of the chapter typifies the politics of CTD, the regime that has moved furthest from the notion of a sovereign representative democracy, while in the third we briefly look at the question of why and how the imperial ruling classes and their national collaborators have overturned the pre-existing “democratic” oligarchical ruling formulas of “indirect rule” in favor of a naked power grab. In the concluding section we examine the contours of the class struggle in a time of colonial dictatorship, in the context of hollowed out electoral institutions and radical regressive social policies. The chapter addresses the twin issues of struggle for political freedom and social justice in the circumstances of *de facto* rule by emerging technocratic neocolonial rulers.

One of the great paradoxes of history is the claim of imperialist politicians to be engaged in a great humanitarian crusade, a historic “civilizing mission” designed to liberate nations and peoples, while practicing the most barbaric conquests, destructive wars and large-scale bloodletting of conquered people in historical memory. In the modern capitalist era, the ideological foundations of imperial rule has changed over time, from the early appeals to “the right” to wealth, power, colonies and grandeur to claims of a “civilizing mission” on behalf of the forces of freedom and democracy. More recently, the machinations of imperial rule have propagated diverse justifications adapted to specific contexts, adversaries, circumstances and audiences. Chapter 10 reviews and analyzes some elements of this shift in the construction of contemporary imperial ideology. At issue are the arguments advanced in the project of legitimizing a policy of wars and sanctions by the US and its allies to sustain the dominion of the forces of freedom and US hegemony over these forces. However, over the course of events in the “short history” of neoliberalism “development” has been unmasked as “capitalism” and “democracy” as “imperialism”. The emperor, as it were, now has no clothes.

The relation between imperialism and democracy has been debated and discussed over 2,500 years, from fifth century Athens to Liberty Park in Manhattan. Contemporary critics of imperialism (and capitalism) claim to find a fundamental incompatibility between the two, citing the growing police state measures accompanying colonial wars, from Clinton’s anti-terrorist laws, and Bush’s “Patriot Act” to Obama’s ordering the extrajudicial assassination of overseas US citizens. But in the past theorists of imperialism of varying political persuasion, from Max

Weber to Vladimir Lenin, argued that imperialism served to unify the country around a common enemy, reducing internal class divisions and creating a stratum of privileged workers who actively supported and voted with and supported the empire. Chapter 11 provides a brief historical survey of the conditions under which imperialism and democracy have converged or diverged to throw some light on the challenges and choices faced by the spread of movements based on the idea of “democracy” and the eruption of people power across the globe.

Chapter 12 explores one of these eruptions of people power in the waves of unrest and regime change in a number of regimes in the Arab world over the past year—the so-called Arab Spring. Our aim here is to provide a counterpoint to the various myths that have been propagated about this unrest and the associated dynamics of regime change in the mass media. The purpose of the chapter is not to recount the story of these uprisings or to predict the possible future scenarios of the revolutionary process in the Arab world. Rather, with specific reference to developments in Egypt, the aim is: to draw out some of the broader implications for the Middle East as a whole—to argue that these struggles are best understood through the lens of *class struggle*. The uprising in Egypt, the dust of which has not yet settled, and the other uprisings that has marked the Arab Spring the Arab world, show decisively that capitalism is as much at issue in these struggle and battles as democracy, and that the concepts of class and class struggle are important tools for understanding the events associated with the uprisings in Egypt, Libya and elsewhere in the region.

Chapter 13 addresses the issue of US imperialism in the context of the new world order on the verge of a major makeover. As we reconstruct it the idea of “globalization” and the associated strategies and policies to bring it about served not to pioneer a more advanced form of capitalism, as Lenin had theorized in regard to the old imperialism at the turn into the twentieth century, but to bring about a more predatory and barbaric form of capitalism, much as Rosa Luxemburg had viewed the capitalism of her day. In this context, we criticize contemporary theorizing about imperialism for its economic reductionism and a lack of class analysis and institutional specificity regarding the imperial state. In this we establish the importance of class analysis for grasping the changing dynamics of imperial power, before proceeding to discuss how a specific configuration of class forces in the world economy is leading to a realignment of economic power in the world capitalist system, and the challenge that it constitutes for US imperialism in its Latin American operations. In the final section we point out the discontinuities and continuities in US imperial relations with Latin America, and the potentialities and constraints of these relations on economic growth and development.

Chapter 1

Dynamics and Contradictions of Capitalist Development

Marx's theory of capitalism is that its development as a system is profoundly uneven and rift with class conflict. The source of this conflict, confirmed by generations of both Marxist and non-Marxist scholars, is an economic structure based on the capital-labor relation; that is, the exploitation of workers by capitalists. The developmental dynamics based on this relation are both structural and strategic. The structural dynamics of the system are manifest in conditions that are "independent of an individual's will" and thus not of their choosing and objective in their effects—an objectivity that accords with each individual's class position. The strategic or political dynamics of the capital-labor relation, which constitutes the foundation of the social structure, are reflected in the formation of class-consciousness, which is basically a matter of workers becoming aware of their exploitation and acting on this awareness.

The Fundamental Contradictions of Capitalist Development

Capitalism, like all class-based and divided economic systems and societies is fundamentally unstable, giving rise to conditions and forces that will sooner or later lead to its overthrow or transformation. Thus, the capitalist development process is driven by forces and impelled by contradictions that are intrinsic to the system. They include:

1. Economic production is based on social cooperation—the contributions of all classes and members of society, but under capitalist relations of production (private property in the means of production) capitalists as the private owners of the means of production have the legal right and the political capacity (via state power) to appropriate the social product for private profit and personal enrichment.
2. The forces of production tend to expand but the corresponding social relations will invariably at some point turn into fetters, inhibiting further expansion and creating thereby the objective and subjective conditions of revolutionary transformation, including class-consciousness and forces of resistance to further or continued capitalist development.
3. Capitalism is motivated by the need to accumulate capital and the search for profit (to extract surplus value from the direct producer) rather than