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POWER CONSTELLATION IN THE USA AND SOUTH AFRICA AND ITS EFFECTS ON HUMAN RIGHTS¹

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1. THE EMERGENCE OF GLOBAL INEQUALITY IN THE 19TH CENTURY AND ITS ENTRENCHMENT IN THE 20TH CENTURY

The perturbing nature of global inequality and global injustice is clearly reflected in the World Bank's data for 2005 (Table 1). The Rich North received almost \$35 trillion of the World GDP of \$44,4 trillion. The GNI per capita of the North was more than \$35 000 in 2005, while the per capita income of the Low-Income Countries (with 37,5% of the world's population) was a pathetic \$580 or only 1,7% of the per capita income of the North. The per capita income of the Middle- and Low-Income countries together (or the Poor South) was \$1746 in 2005 or only 5,0% of the per capita income of the North.

It is quite illuminating to look at the problem of global inequality within the proper historical context. According to Paul Bairoch, the differences in income and wealth between the great civilizations of the eighteenth century were relatively slight: "It is very likely that in the middle of the eighteenth century, the average standard of living in Europe was a little bit lower than that of the rest of the world" (Bairoch, 1981: 7). In the 18th and early 19th century the Asia's share (excluding Japan) of World GDP was almost 60%, while the Western Europe's (and its offshoots') share was less than 26% (Table 2). In the

almost 100 years from 1820 to 1913 Asia's share was cut from 56,2% to 21,9%, while Western Europe's (and its offshoots') share increased from 25,5% to 55,2%.

**TABLE 1
 POPULATION, GDP AND GNI PER CAPITA IN THE WORLD AND IN HIGH, MIDDLE AND LOW INCOME COUNTRIES AND IN THE POOR SOUTH IN 2005**

	Population Billions (% of total)	GDP (US\$) trillions (% of total)	GNI per capita (current US\$)	GNI per capita as % of GNI per capita of Rich North	GNI per capita as % of GNI per capita of the USA
World	6,4 (100)	44,4 (100)	6987	19,9%	16%
High Income countries (Rich North)	1,0 (15,6)	34,5 (77,7)	35130	100%	80,3%
Middle Income Countries	3,1 (48,0)	8,5 (19,1)	2640	7,5%	6,0%
Low Income Countries	2,4 (37,5)	1,4 (3,2)	580	1,7%	1,3%
Middle and Low Income Countries (Poor South)	5,4 (84,4)	9,9 (22,3)	1746	5,0%	4,0%
USA	0,297 (0,5)	12,5 (28,2%)	43740	125%	100%
India	1,1 (17,2)	0,79 (1,8%)	720	2,0%	1,6
China	1,3 (20,3)	2,2 (5,0%)	1740	5,0%	4,0%
Latin American	0,6 (8,6%)	2,5 (5,6%)	4007	11,4%	9,2%
Sub Sahara Africa without South Africa	0,7 (10,9)	0,6 (1,4%)	471	1,3%	1,1%
South Africa	0,04 (0,07)	0,24 (0,5%)	4960	14,1%	11,3%

¹ Paper read at the Conference on "Business and Human Rights" organised by the Human Rights Foundation in Johannesburg on 16 and 17 January 2007.

The dramatic decline in the 19th century of the share of World GDP of countries that are today part of the Poor South was continued in the 20th century, while the sharp increase of the share of Western Europe (and its offshoots) during the 19th century was also continued in the 20th century. Asia's share (Japan excluded) declined from 21,9% in 1913 to 9,0% in 2005, while Western Europe's (and its offshoots') share increased from 55,2% to 67,5% (Table 2).

Jeffrey Sachs indicates that the world's per capita income increased 9 times from 1820 to 2000. The US per capita income increased almost 25 times during this period, and Western Europe's per capita income increased fifteen fold, or at an annual rate of 1,7% and 1,5% respectively. In sharp contrast the annual per capita income of Asia (excluding Japan) and Africa increased by 0,9% and 0,7% respectively (Sachs, 2004: 28). From 1857 until 1947 the per capita income of India increased by less than 20%, while the per capita income of Britain increased by more than 130% (Ferguson, 2004: 194).

The reason for the dramatic swing around in the economic fortunes of the countries in the North and the South during the 19th century, and the perpetuation and entrenchment of the "backwardness" and poverty in the South during the 20th century, remains one of the most teasing problems facing historians, economists, political scientists and other social scientists. A popular explanation for the different economic fortunes of the two "worlds" during the past two centuries is that the inhabitants of the countries in the North displayed more ingenuity, entrepreneurship and organizational skills, and developed better political and economic institutions, than the inhabitants of the South. Another explanation is that the immutable poverty and lack of economic growth in the South should be blamed on the high and even explosive population growth in the South. Both these explanations should be rejected, because both

insinuate that racist considerations may have played a role in the "success" of the North and the "failure" of the South. We should also remember that before 1800 people in large parts of what is today the South built remarkable civilizations that were maintained for centuries.

TABLE 2
SHARE OF WORLD GDP: 1820 – 2004
(PERCENT OF WORLD TOTAL)

	1700	1820	1870	1913	1950	1973	2005
Western Europe and Western offshoots	22,7	25,5	43,8	55,2	56,9	51,0	67,5
China	22,3	32,9	17,2	8,9	4,5	4,6	5,0
India	24,4	16,0	12,2	7,6	4,2	3,1	1,8
Total Asia (excl. Japan)	57,6	56,2	36,0	21,9	15,5	16,4	9,0
Japan	4,1	3,0	2,3	2,6	3,0	7,7	10,1
Latin America	1,7	2,0	2,5	4,5	7,9	8,7	5,6
Africa	6,6	4,5	3,6	2,7	3,6	3,3	2,4

Data from 1700 to 1973 from Maddison, 2001, Table B.20
Data of 2005 from World Bank, devdata.

TABLE 3
SHARE OF WORLD MANUFACTURING OUTPUT,
1750 – 1900 (PERCENT)

	1750	1800	1830	1880	1900
Europe	23.1	28.0	34.1	62.0	63.0
UK	1.9	4.3	9.5	22.9	15.5
China	32.8	33.3	29.8	12.5	6.2
India	24.5	19.7	17.6	2.8	1.7
China and India	57.3	44.0	47.4	15.3	7.9

Compiled by Davis, 2001, Table 9.3

It is not justifiable to blame the South by claiming that it impoverished itself through uncontrolled population growth. From 1500 until 1900 the annual average population growth rates of Asia, Latin America and Africa were not much higher than that of Western Europe. It was only in the 20th century – and especially in the third quarter of the 20th century – that countries in the South experienced high population growth rates (see Table 4). It is not only possible, but indeed probable, that the high population growth rates experienced by countries in the South during the past 100 years were not the *cause* but the *result* of the abject poverty into which the South was plunged in the 19th and the 20th centuries, when it was the victim of ruthless colonial exploitation and military repression by Western countries and Japan. The exploitation and repression to a large extent destroyed the social structures and practices that protected traditional societies against population explosions.

TABLE 1.6

POPULATION GROWTH
(ANNUAL AVERAGE COMPOUNDED GROWTH RATES)

	1500- 1820	1820- 1870	1870- 1913	1913- 1950	1950- 1973	1973- 2004
Western Europe	0,41	0,69	0,77	0,42	0,70	0,32
Asia (excl. Japan)	0,29	0,51	0,55	0,92	2,19	1,86
Latin America	0,21	1,27	1,64	1,97	2,73	2,01
Africa	0,15	0,40	0,75	1,65	2,33	2,73

Maddison, 2001, Table 3 – 1(a) p. 126

A more plausible explanation for the dramatic swing around in the economic fortunes of the North and the South since 1820 is the “violent incorporation” of the South into the capitalist-orientated economic system of the West. During the past ±150 years the South has experienced three fairly destructive shocks: first, when it was violently incorporated by mainly the British empire into global capitalism mark I (1870-1914); second, when the South was very much neglected by the developed world when the countries in the North experienced 40 years of stagnation and economic contraction as a result of the two world wars and the Great Depression (1914-1950)²; and third, when the South was again violently incorporated into the economic structures of global capitalism mark II over the past ±30 years, when the American empire consolidated its “imperial” control and prescribed new rules according to which the South had to participate in global capitalism.

The ways in which the South was “violently incorporated” by the British empire into global capitalism mark I (1870-1914) and by the American empire mark II (1980-2006) differ significantly from each other, or, to put it differently, the ways in which the South was “plundered” by Britain and other imperial countries before the First World War (FWW), and the ways in which the South is being “plundered” by the American empire and other countries in the North since 1980, differ significantly from each other. The end result of the 200 year of imperialistic plundering in the social disruption and chronic poverty and destitution in the South.

² Ferguson described the contraction of the global economy after the FWW as follows: “The eclipse of globalisation in the middle of the twentieth century was in large measure a consequence of the immensely costly and destructive challenges to British hegemony mounted by Germany and its allies in 1914 and 1939.... The globalisation of warfare in the twentieth century must bear a large share of the responsibility for the mid-century breakdown of international trade, capital flows and migration.” (Ferguson, 2004: 185)

A right-wing *New York Times* columnist (Thomas Friedman), declared in 2000 that “*the hidden hand of the market will never work without a hidden fist*”³. We can paraphrase this statement to read that “*the hidden hand of global capitalism would/will never work without the hidden iron fist of the British/American army*”. The violent incorporation of the South into the economic structures of the West at the end of the 19th century and again at the end of the 20th century was on both occasions mainly an economic project, but on both occasions the military power of the West played a decisive role. The high poverty and deprivation that were brought about by the British imperialism at the turn of the 19th century and by American imperialism at the turn of the 20th century are the main reasons why 3 billion people are living today at less than \$2 a day. The socio-economic rights of almost 50% of the world's population are therefore, violated in a rather cruel manner by the power constellation and politico-economic system that were/are in place in the North.

2. THE AMERICAN EMPIRE AND THE PERPETUATION AND ENTRENCHMENT OF POVERTY AND INEQUALITY

a) America's four imperial episodes since 1945

The Americans have not been prepared – at least not until recently – to acknowledge that America has become an *imperium*. During the Cold War the concepts of empire and imperialism had negative connotations in accordance with Lenin's theory of imperialism. In these years the Americans looked at America's position in the world as one of *primacy, leadership and hegemony*.

³ He continues: “Markets function and flourish only when property rights are secured and can be enforced, which, in turn requires a political framework protected and backed by military power ... Indeed, McDonald's cannot flourish without McDonnell Douglas, the designer of the Air Force F-15 and the hidden fist that keeps the world safe for Silicon Valley's technologies to flourish is called the US Army, Air Force, Navy and Marine Corps”, quoted by Callinicos, 2003:50.

The devastation caused by the two world wars, by exchange rate instability during the interwar period and by the Great Depression created a dangerous power vacuum in the Western world that could not be ignored by the USA in the years immediately after the Second World War (SWW). The “outbreak” of the Cold War in 1947 created for the USA both the opportunity and the challenge to fill the “power vacuum” by creating a new “world order” in at least the non-communist part of the world. This new “world order” can be described as a Pax Americana. The institutionalization of the Pax Americana was, however, the first “imperial episode” of at least four “imperial episodes” experienced by the USA since 1945.

The USA's four imperial episodes since 1945 took place as a response to serious conjunctures in global affairs. During each of these conjunctures the USA used its hegemonic position to consolidate its *military, economic* and *ideological* grip on a large part of the world as part and parcel of the long-term American disposition towards primacy and ultimately towards imperialism. The cumulative effect of the four imperial episodes is the all-embracing, exploitative and colossal American Empire of today.

The four historic conjunctures are, firstly, the post-SWW period when the Cold War and the Korean War started (1947 – 1950); secondly, the Israeli-Egyptian War (1973), the two oil crises of the 1970s and the decline the USA experienced in its power and prestige during the 1970s; thirdly, the fall of the Berlin Wall (1989) and the implosion of the Soviet Union (1991) that created an opportunity to construct what President Bush I called “a new world order” (1989-91); and finally, the terrorist attacks of 9/11 and the invasions of Afghanistan and Iraq.

The first conjuncture set up the imperial episode (or opportunity) whereby the USA institutionalized the Pax Americana. The second conjuncture created a hegemonic crisis for the USA and the Reagan administration responded to this crisis by orchestrating the rise of *neoliberal global capitalism* and legitimized it in terms of market fundamentalism (i.e. a new version of laissez-faire capitalism). The third conjuncture elevated the USA to the position of *unipolarity* (in the post-Cold War world) and prompted an attitude of neoliberal capitalist *triumphalism* in the USA. The last conjuncture – i.e. the crisis of 9/11 – offered the Bush administration the pretext to give a *unilateral* and *militaristic* character to the American hegemon and represents the final affirmation of *the American empire*.

From the perspective of the rest of the world – and especially from the perspective of countries in the Poor South – the American empire personifies two related dangers: first, the danger of increased economic exploitation within the structures of neoliberal globalism and, secondly, the danger of unilateral military invasions into vulnerable countries in the South when they are not behaving themselves in accordance with the American rules of the “global game”.

b) The emergence of pax americana during the first imperial episode (1947-1950)

The Pax Americana that emerged after the SWW was based on two “social contracts”: an *international* “social contract” between the “free” (or non-communist) countries, and a *national* “social contract” between the social formations in each of the (mainly) developed countries in the free world. The international social contract was embodied in three new international

institutions under the overt leadership of the USA. Firstly, the Bretton Woods Institutions (BWI) created a framework for exchange rate stability to administer a revival of international trade and economic cooperation and to reach agreement on a new set of rules to control the flow of capital to prevent speculative and destabilizing capital movements. Secondly, the United Nations was founded as a forum to settle international disputes peacefully. Thirdly, NATO was agreed upon as a military alliance dedicated to the restraint of communism.

The “national” social contract forged a new power relation between capital and labour in each of the developed countries in the free world to replace the subservient position labour occupied vis-à-vis capital before 1914. The purpose for this new relationship was to maintain full employment and to attain greater social justice after the tempestuous events of the previous 30 years, when the lower classes experienced serious social disruptions by being called up as soldiers and also as unemployed and impoverished workers. Greater social justice was regarded as necessary to convince the lower classes of the merit of a capitalist-oriented system. The new relationship was legitimized in terms of the Keynesian Social Democratic synthesis and on the basis of the general acknowledgement that the economic system of laissez-faire capitalism (in place until 1914 in Europe and until 1929 in the USA) ought to be replaced by a system of mix-capitalism in which the state does not only have the responsibility to build and finance an expanded welfare state, but also to implement an anti-cyclical macro-economic policy to maintain full employment and exchange rate and price stability.

The two social contracts and the consensus on which the Pax Americana was based were - in the ± 30 years after the SWW - conducive to a high economic growth rate (during the Golden Age of mix-capitalism (1950-73)), for full employment, for a movement towards greater social justice and for a revival of international trade and cooperation. The USA played a strategic role as the supplier of several "social goods" – like peace, monetary stability, the dollar as exchange unit and better communication networks - but at the same time the USA consolidated and intensified its grip on the free world.

During this period the Pax Americana "gave" much to the rest of the free world, but also "took" much. It is rather difficult to determine whether the USA was at this stage still a benign empire or already a malign one. We should perhaps give it the benefit of the doubt and decide that in this period the USA contributed greatly to the remarkable political, economic and technological development of the free world.

c) The emergence of neoliberal global capitalism in the early 1980s

During the 1970s the post-war boom came to an end and the USA experienced a decline in its power and prestige. Several factors contributed to this decline. Their defeat in the Vietnam war and the Watergate scandal seriously harmed the moral stature of the USA. The Israeli-Egyptian war (1973) and the increase of the price of oil by OPEC caused stagflation, growing unemployment and a fiscal crisis in the USA. When taxation was increased to pay for unemployment insurance, the result was a tax revolt. At the same time the status of the Pax Americana was harmed by the Portuguese defeat in Africa (1974), by the accession of China to the security council, by the Iranian revolution (1979) and by the Soviet invasion of Afghanistan (1980). Amidst greater Soviet

aggressiveness to benefit from a new wave of "social revolutions" in many parts of the South, the Pax Americana was put on the defensive as its power and legitimacy was questioned as never before. During the 1970s the USA also experienced an outflow of money and investment towards the developing South and a relocation of industrial activities to the South.

To stop the decline of its power and prestige on the world arena, and to administer its fiscal crises, the USA started to propagate and to implement a new ideological framework from 1980. This boils down to nothing less than a neoliberal "counter-revolution" with the slogan that "there is no alternative" (TINA). This neoliberal counter-revolution implied that the USA rejected both the national and international "social contracts" of the post-SWW period as well as the social democratic consensus on which the cooperation between countries in the free world was based. The USA rejected the post-war contracts almost unilaterally as only the Thatcher government in the UK supported the ideological shift to the "New Right".

The almost unilateral rejection by the USA of the two "social contracts" and the social-democratic consensus on which the post-war world order were built can be regarded as a betrayal of both the developed and the developing countries in the non-communist world. The new power relation between capital and labour forged after the SWW was suspended and the 19th-century dominance of capital was reinstated. *The policy aim of full employment was replaced with the idea that the productivity of the employed workers must be as high as possible to ensure competitiveness in global markets.* This led to unemployment rates of more than 10% in Europe and of more than 30% in developing countries in the South. State intervention to build a welfare state and to promote social justice was replaced by anti-statism and by the slogan on the need for "rolling back the

state". In the USA and Britain anti-statism and the retrenchment of the welfare state led to a sharp increase in the unequal distribution of income. In the developing countries in the South the Reagan "turn" towards anti-statism implied that the governments of these countries could no longer be involved in developmental programmes or in tariff protection as they were pressurised by the BWI to implement "structural adjustment programmes" (SAPs) and to leave economic development to the (often non-existent) free market mechanism in their respective countries.

The neoliberal counter-revolution implemented by the Reagan administration during the second imperial episodes in the 1970s and early 1980s was conducive to the rise of the *American-controlled neoliberal global capitalist system*. In this imperial episode the edifice of the American-controlled global capitalist system was built on four cornerstones. Firstly, it was built on the replacement of the interventionist social democratic model by anti-statism and market fundamentalism; secondly, on the liberalisation and the rerouting of the flow of capital and the establishment of an American debt empire; thirdly, on the liberalisation of international trade on terms advantageous to the USA; and finally, on a new set of rules – prescribed by the USA – in accordance with which the South could participate in global capitalism.

Amartya Sen described the trustworthiness or the "correctness" of market prices or "the outcome" of the market as follows:

"There is an oddly common presumption that there is such a thing as "the market outcome", no matter what rules of private operations, public initiatives, and nonmarket institutions are combined with the existence of markets.[This presumption] is entirely mistaken. Use of the market economy is consistent with many different

ownership patterns, resource availabilities, and rules of operation.....*And depending on these conditions, the market economy itself would generate distinct sets of prices, terms of trade, income distributions, and more generally, very different overall outcomes...* There is no "the market outcome" irrespective of the conditions that govern the markets, including the distribution of economic resources and ownerships... The market economy does not work alone in *globalised* relations – indeed it cannot operate alone *within* a given country... [The] enabling conditions [of an market economy]... depend critically on economic, social, and political institutions that operate nationally and globally It is.....[the] interdependences [between the enabling conditions and the market] that have to be understood and utilized to alter the inequalities and asymmetries that characterise the world economy. More globalisation of market relations can, on its own, be a deeply inadequate approach to world prosperity" (Sen, 2006: 136-138).

Anyone with a good knowledge about the unequal distribution of power and property *within* countries and especially *between* countries cannot but realise that the enabling condition that ought to be in place according to Sen – before we can expect a fair or benign outcome from "the market" - is not and cannot be in place. The neoliberal propaganda that "the market" will – in the long – solve global inequality is unconditionally absurd.

The developing countries in the South have been – with some exception – very negatively affected by the rise of neoliberal global capitalism. Many of the countries in the South – and especially in Latin America and Africa – borrowed large amounts of "oil dollars" from international banks in the stagnant 1970s. A large part of these loans were pushed on the South through "loan-pushing" by international banks with too many "oil dollars". When it became clear in the 1980s that the developing countries would encounter serious problems in repaying the loans, it was decided by the USA that the BWI would take over the loans, but at higher interest rates and on the condition that the countries

involved should meet the very strict conditions of the “structural adjustment programmes” (SAP) prescribed by the BWI. (Arrighi, 2004).

c). **American unipolarity in the post cold-war world and its attitude of triumphalism**

The fall of the Berlin Wall and the implosion of the Soviet Union created for the USA an undisputed moment of *unipolarity*. The USA was now in a position to export its “model” also to those countries that had been part of the communist bloc. The pell-mell introduction of free-market capitalism – in accordance with the principles of market fundamentalism – in erstwhile communist countries caused immeasurable disruption and hardship in these countries. The kind of institutional development that must be regarded as a prerequisite for a well-functioning capitalistic system were conspicuously absent in these countries. In its eagerness to turn the economies of these countries into free-market capitalist systems, the USA apparently did nothing to advise these countries about the need for the indispensable institutional development that ought to take place.

e). **The emergence of a unilateral and militaristic American empire after 9/11**

The terrorist attacks on 9/11 created a remarkable imperial episode for the United States, not only to demonstrate its global military power, but mainly to use the situation to *rewrite* the rules of the global economic game. John Ikenberry describes the Bush administration’s militarism and its willingness to act unilaterally after 9/11 as follows:

American power advantages are multidimensional, unprecedented and unlikely to disappear any time soon ... The Bush administration’s willingness to act unilaterally – and its seeming disregard for rules and norms of the international community – raise the spectre of an emerging unipolar era when the United States unbinds itself from its own post-war order and rules the world by force and fear (Ikenberry, 2004: 83-84).

The pressing question of our time is whether the USA is indeed busy rejecting the ruled-based order of the post-SWW and whether it indeed has the intention to replace it with a kind of “neo-imperial” rule in which “force and fear” will play a dominant role.

Important differences can be distinguished between the British and the American empires. The British Empire was part of a system of *competitive* imperialism, while the American empire is part of a system of *cooperative* empire. Instead of relentless rivalry between developed countries, a remarkable cooperation exists today between countries in the Rich North. While colonialism was an important part of the British Empire, the American empire operates in the post-colonial world.

f). **American imperial exploitation in a world of “close frontiers and open markets”**

Over the past 60 years the USA has built a “world order” that is - from an American point of view - a world of “close frontiers and open markets”. The US is presently exercising its global power and its imperialistic plundering through this system of “close frontiers and open markets”. This American-controlled global system was constructed – over four successive imperial episodes – with remarkable ingenuity. Its true nature is, however, highly

diabolical, especially if we look at it from the perspective of the impoverished majority in the South. (Panitch and Gindin, 2006: Chapter 1).

The USA acknowledges the independence of all countries and – with the exception of a few rogue states – also the legitimacy of the governments of these countries. The “borders” or the “frontiers” of all countries are, therefore, “closed”. Although all countries’ “frontiers” are “closed”, the USA has over the past 60 years taken several steps to ensure the “openness” of all the “markets” of these countries to the infiltration of the ±350 00 American-based TNCs.

Over the past 60 years the USA has taken several steps to prescribe directly and indirectly certain “global rules” that must be obeyed by the host governments when the TNCs infiltrate the “open markets” of these countries. These “global rules” are rewritten regularly to ensure that the interests of TNCs and the USA are protected and promoted in the best possible manner.

Over the past 60 years the USA has developed a comprehensive system of *rewards* and *penalties* that are applicable to almost all the states in the world and to all the “market players” operating in the “open markets” of these states. Although the USA acknowledges the sovereignty of all the relevant states, all these states – and especially those in the South – have over the past 25 years experienced a marked decline in their own sovereignty – especially in their ability to take “sovereign” decisions on social and economic policy matters. All countries must obey the rules and prescripts of the BWI, the SNOs, the WTO and the rules of the free trade agreements applicable to them. The “frontiers” of all countries are “closed” but at the same time they are porous enough to let in influence from the outside – especially from the USA. (Kirkbride, 2001).

In the present “global order” most governments - also in the South - are prepared to create condition conducive to invite TNCs and foreign investments into their “frontiers”. The TNCs are bringing with them foreign investment, new technology, entrepreneurship and new knowledge when they “penetrate” the “open markets” of foreign countries. They stimulate economic growth and increase the tax capacity of the relevant countries. The governments of these countries have a vested interest in the growing tax capacity and are, therefore, not in a position to complain about the nature of the foreign-induced economic growth. Countries in the South often experience that the foreign-induced economic growth is very capital intensive, or that its labour-creating capacity is very small, or that it is even destroying job opportunities, or that it causes the distribution of income to become much more unequal - or all these negative effects simultaneously. In spite of all these negative side-effects of foreign-induced economic growth, the host countries are to such an extent “co-opted” by the power structures of global capitalism that they have no choice but to continue to create conditions conducive to inviting foreign involvement. The governments of countries in the South often act *within* the competitive framework of global capitalism like municipalities in a local economy that create all kinds of favourable conditions to lure potential investors to invest in their town and not in the neighbouring town. All the countries – especially those in the South – are “independent” and “sovereign” behind their “closed frontiers”, but they do not have the independence and the sovereignty necessary to protect the inhabitants of their countries against the negative side-effects of American imperial infiltration.

We can detect a clear difference between the American infiltration into the “close frontiers and open markets” of developed capitalist countries in the North, on the one hand, and of the developing countries in the South, on the other hand. In the North up to 70% of the population are systematically *included* to participate in the American-controlled system of neoliberal global capitalism. This part of the population is rewarded quite generously for their participation. At the same time up to 40% of the population in the North are systematically excluded, and 10% or more are “declared” unemployed, while the governments of the countries in the North (the USA excluded) are under all kinds of pressures to retrench their social welfare systems. (Bhalla & Lapeyre, 2004: Chapter 1).

In the developing South between 20% and 40% of the population of the relevant countries are systematically included for participating in global capitalism and they are rewarded generously for their participation. At the same time more or less 50% of the population of these countries are systematically excluded from

participation in global capitalism. Unemployment rates in the South are maintained at levels between 30% and 40%. The rules of the global game leave no “space” for the governments of developing countries in the South to implement an appropriate developmental policy.

Many of the countries in the South have experienced an increase in their GDP per capita over the past 25 years partly due to the involvement of TNC. But in almost all these countries income has become much more unequally distributed between the global “insiders” and the global “outsiders”. The sovereignty of the governments in almost all these countries has been “retrenched” to such an extent by global capitalism and by the SAP, that these governments have almost no power – or sovereignty – to implement the highly needed economic and social policies. These governments in the South have become the pathetically powerless “agents” of the mainly American TNCs. (Arrighi, 2004).

The persistence of abject poverty in the South and the growing inequality between the income of the top 20% and the lower 50% of the world’s population are undeniable proof that the system of neoliberal globalism and market fundamentalism are *not* delivering and *cannot* deliver in all corners of the world. On the contrary, the power constellation in the American empire and in the American-controlled system of neoliberal globalism is such that the economic interests of the economic elite in the USA, and the smaller economic elite in the North, and the much smaller economic elite in the South, are enhanced in ways that are very much to the detriment of the poor in both the North and the South.⁴ Pres. Thabo Mbeki described global capitalism on one

⁴ The USA has committed itself in 1975 at the UN to give official development and (ODA) equal to 0,7% of its GDP to countries in the South. Its annual ODA over the past 30 years was equal to only 0,11% of its GDP. In 2003 the USA gave \$17 billion in ODA, but to reach the target of 0,7% it should have given \$77 billion. In the meantime the USA is spending almost \$100 billion annually on the war in Iraq.

occasion as a system of global apartheid. As long as the American-controlled system of global apartheid remains in place, the huge inequalities and social injustices in today's world will remain entrenched.

3. THE "NEW" POWER CONSTELLATION IN SOUTH AFRICA AND ITS INFLUENCE ON THE DYSFUNCTIONALITY OF THE ECONOMY

From 1910 until 1994 South Africa was an outpost of the British Empire. After the discovery of gold in 1886, South Africa became an important colonial "possession" of the British Empire.

The \pm 50 years before the First World War (FWW) are normally regarded as the high point of the British Empire, but in fact the economic, financial and military supremacy of Britain was being seriously eroded during this period. A second industrial revolution took place from \pm 1860 to \pm 1900 with Germany and the USA as the pioneers. Britain's industrialism in the second half of the 19th century remained to a large extent "frozen" in the technologies and institutional structures of the first industrial revolution. Consequently, Britain could not adapt quickly enough to the new industrial environment. Whereas in 1880 the UK still contained 22,9% of total manufacturing output, that figure had shrunk by 13,6% by 1913; and while its share of world trade was 23,3% in 1880, it was only 14,4% in 1911-13 (Kennedy, 1988: 228).

With this loss of economic supremacy, Britain also lost its military and imperialist supremacy. During the \pm 50 years before the FWW several other countries – like Germany, France, the USA and Japan – transformed themselves into imperialistic countries. They attained "new" colonies in large parts of what is today the South. The outstanding characteristic of the pre-FWW period is not

the dominant position of the British empire, but the intense military and imperialistic *rivalry* between the large countries in the North, with Britain slipping behind.

Amidst this rivalry Britain experienced a chronic balance of payment deficit and was losing a large part of its gold reserves to Germany and the USA. When gold was discovered in South Africa, the British regarded it as a "gift of God" to solve its economic and balance of payment problems. In a desperate attempt to protect its shrinking economic interest in large parts of the world, Britain conducted at the end of the 19th century an increasingly more aggressive and ruthless policy of imperialistic conquest and capitalist exploitation in South Africa. The original exploitative laws (like the Land Act and Influx control laws) were enacted by South African governments on request and on behalf of the mainly British mining corporations. Until the 1920s it was mainly British shareholders of shares in the gold industry that were enriched by the exploitative system institutionalized in South Africa. Since then the two white settler groups were the main beneficiaries of the exploitative system.

During the "gold revolution" a new "power block" was introduced in the politico-economic system of South Africa – i.e. the global gold corporations and their offshoots. Over the past 120 years these corporations have dominated political, economic and ideological trends in South Africa. In all three the power constellations in place in South Africa over the past 120 years, these corporations set the tone. It happened during the first half of the 20th century when the local English Establishment controlled South Africa politically, economically and ideologically. It happened during the second half of the 20th century when the English establishment continued to control South Africa economically, while the Afrikaner establishment controlled it politically. It also

happened since 1994 with the business sector in control of South Africa economically and the ANC in control of it politically. In the first period (1900-1948) the official government policy was *segregation* and the English speakers legitimized their alleged superiority in terms of the ideology of Social Darwinism. In the second half (1948-1994) the official government policy was *apartheid*. The Afrikaner legitimized their privileges by creating a “syndrome of victimization” – i.e. the idea that the existence of the Afrikaner folk was endangered by the indigenous population groups – while the English establishment persisted with their Social Darwinism. In the third period the official government policies are Black Economic Empowerment (on behalf of a small black middle class) and neo-liberal globalization. These policies are respectively legitimized in terms of the ideology of Africanism and in terms of the (global or American) ideology of market fundamentalism and growthmanship (i.e. the “trickle down myth”).

An important powershift took place in South Africa during the 1990s. It is very important that we should understand the nature of this powershift to attain a clear appreciation of what elements of the power constellation of pre-1994 were changed, what elements were perpetuated and what new elements were introduced into the politico-economic system of the “new” South Africa. An important event during the transition was the thorough defeat of the Afrikaner political establishment and its replacement by the African/ANC establishment. During the transition the white business sector – both English speakers and the Afrikaner business sector – succeeded to enhance their economic power and influence quite considerable. Over the past 13 years the white business sectors’ power was further increased by co-opting the new black business sector into their ranks.

The really important thing that happened during the powershift of the 1990s, was that a new power block was introduced into the South African body politic. Global corporatism – and especially American TNC and the American ideological approach – became very important “players” in the South African “power game”. Until that time South Africa was a isolated (and relatively independent) remnant of the already defunct British empire. (The most important link with the old colonial mother was the unpreparedness of Mrs Thatcher to install sanctions against South Africa). When South Africa became fully integrated into the power and ideological “structures” of the American empire, it happened at a time when the Americans were in an exuberant mood of *triumphalism* about the alleged virtues (and the inevitability) of neo-liberal capitalism, globalism and market fundamentalism. The most remarkable characteristic of the transitional period was that the leader core of the ANC was prepared to swallow hook, line and sinker the power of global (mainly American) corporatism and the ideology of neo-liberalism market fundamentalism. Why has the leader core of the ANC swallowed “Americanism” (in “all its power dimensions”) so easily and so completely? This is a mystery that will remain unresolved until the ANC is prepared to reveal in all honesty the full truth about the “elite compromise” to which the leader core committed itself.

As soon as *corporate dominance* (both local and global corporatism) and the neo-liberal ideology were institutionalized, the manoeuvring space of the ANC was closed to such an extent that it could not maintain its decades long “social contract” with the social movement (or civil society) in the mainly black population groups. The leader core of the ANC was challenged during the early 1990s to make a choice between *corporatism* and *Americanism* on the one hand, and the material interest of the poorer half of the population on the other

hand. The choice in favour of corporatism and Americanism has had the inevitable consequence that the poor have been systematically *excluded* and systematically *neglected* from the benefits of the new politico-economic system since 1994. After its leader core made its historic choice during the early 1990s, the only option for the ANC government to solve the poverty problem was the “solve” it rhetorically – i.e. by making hyperbolic promises about how poverty will be alleviated in the next year or ten and by claiming progress in poverty alleviation that cannot be substantiated because the socio-economic position of the poorer half of the population has deteriorated quite considerable over the past 13 years.

The new power constellation that was negotiated and institutionalized in the 1990s, is composed out of four main “power blocks”. Each of the “power blocks” is represented by an important city:

Johannesburg represents the local corporate sector and the economic power and property concentrated mainly in the hands of the whites.

New York represents the multinational corporations and American controlled neo-liberal Global Capitalism. (NLC)

Pretoria/Tswane represents the political power of the ANC government. This power is concentrated – within the system of proportional repression – in the hands of the National Executive Council and (to a larger extent) in the hands of the Presidency.

Washington represents the ideologies of neo-liberalism, market fundamentalism and growthmanship (or the “trickle down” myth) and also the military and imperial power of the United States.

This power constellation does have its advantages. It created conditions conducive for the annual $\pm 3,5\%$ growth rate that was attained over the past 13 years. It allows those with accumulated economic power and prosperity to accumulate much more economic power and property. This power constellation is, however, very unfriendly towards the poorer half of the population. Consequently the “new” power constellation and the “new” economic system is dysfunctional because it does not serve the population at large.

If you were to ask me which one of the four “links” in the South African “power chain” is the weakest, then the answer is rather obvious -- it is Pretoria/Tswane. If you were to ask me which one is the strongest, then it is rather difficult to answer because the other three “links” are -- at least from an ideological perspective – so much in cahoots with each other that they often operate as a single or united power block.

Within the South African power constellation the ANC government does not have the sovereignty, and also not the power, authority and capacity to do what it ought to do to address the ugly socio-economic legacy of 100 years of colonialism and apartheid. The ANC government, is therefore, a weak government. To compensate for its relative powerlessness, more and more political power is concentrated in the hands of the presidency, but this cannot solve its powerlessness vis-à-vis the Johannesburg-New York-Washington “power chain”. As long as the ANC government remains a “captive” of this “power chain” it will remain too powerless to address the “social question” - inherited from the apartheid regime - in a proper manner.

It is important for us to have a clear understanding of the role played by *economic power and property* in the new power constellation. In accordance with the principle of *market fundamentalism* (in a system of neo-liberal global capitalism (NGC)) those with economic (or corporate) power and property become richer, while those without economic power and property become poorer (see pp 11/12 above). In the South African situation the whites enjoyed during a century (from ±1890-±1990) the privilege to accumulate economic power and property (both personal and physical property) in an unjust politico-economic system that enriched the whites *undeservedly* and impoverished the blacks *undeservedly*. With the transition from the "old" (or apartheid) South Africa to the "new" (or democratic) South Africa, the whites were granted the privileges to "carry over" their economic power and property almost intact into the new South Africa. If the whites were given the privilege to "carry over" their economic power and property *into a new politico-economic system that operates in an undisputed pro-poor manner, then, I suppose, the extraordinary privilege that was given to the whites during the transition would have been in order*. Then, I suppose, there would have been "method in the madness".

Unfortunately, the whites were allowed to "carry over" their economic power and property into the "new" political-economic system of NGC and American imperialism – i.e. *a system that operates in an anti-poor and pro-rich manner*. A "new" system that operates strongly in favour of the "old" white elite (with economic power and property) and also operates in favour of the "new" black elite (with newly attained economic power and property) is definitely not what the doctor ought to have prescribed for the "sick" South Africa body politic after 100 years of colonialism and apartheid. What must be taken into account, is that a substantial part of the "economic power and property" of the white

middle class and a substantial part of the "economic power and property" of the black middle class were accumulated in "abnormal" circumstances – i.e. in circumstances in which all kinds of political interventions enriched the emerging middle classes *artificially and underservedly*.

From the perspective of the poorer half of the population – i.e. from the perspective of those that are seemingly permanently "captured" in poverty and destitution by the new power constellation – we can allege that what happened during the transition was a "double madness". The "double madness" was to grant the whites the privileges to "carry over" their economic power and property (also the part that was accumulated undeservedly) almost intact into the "new" politico-economic system *and to institutionalize – at the same time – a new politico-economic system that operates in a pro-rich and anti-poor manner*. The new system operates very much to the advantage of the white middle class (with economic power and property) and also to the advantage of the new black middle class (with their newly attained economic power and property). It operates, unfortunately, very much to the detriment of the poorer half of the population. They are the main losers of the "double madness". They will remain the losers as long as the newly institutionalized politico-economic system (and the new power constellation) remain in place or is allowed to perpetuate itself.

Let us look to the present situation from a human rights perspective. There is nothing wrong with the Constitution. The economic and social rights to which the government has committed itself, is laudable. The problem with these rights is how to interpret the following sentence: "The State must take reasonable legislation and other measures, *within the available resources*, to achieve the progressive realization of [the economic and social rights in the constitution]".

What is the meaning of "*within the available resources*"? Given the huge increase in the wealth of the white and the black middle class over the past 13 years, and given that both the white middle class and the black middle class had the opportunities to accumulate economic power and property undeservedly, the ANC government can – at least - get hold (through increased taxation) of the financial means to fulfill its commitments in the Constitution.

Let us consider possible adaptations in the present power constellation. I indicated above that as soon as *corporate dominance* and *neoliberal globalism* was institutionalised in South Africa, the *manoeuvring space* of the ANC government to implement an adequate social policy on behalf of the poorer 50%, was rather narrow. The important question is whether the ANC utilised this manoeuvring space that is available to it, in a proper way. The answer to this question is an unequivocal no. The ANC squandered the opportunity to do really substantial things as far as poverty alleviating are concerned by transferring too much resources and opportunities from the whites to the new black middle class, by tolerating too much corruption, too much nepotism and careerism and by paying extraordinary high salaries in the rather unproductive public sector. All these "wrong doings" led to a reckless "consumption" of scarce resources that could have been used for poverty alleviation.

An important reason why the ANC government has neglected the poor, is the "powerlessness" of civil society in the ranks of the poorer half of the population. After the leader core of the ANC entered into an "elite compromise" with global corporatism, it became imperative for the ANC to demobilise civil society in the ranks of the poor and to degrade it into a subservient position. It was not possible for the ANC government to maintain at the same time a "social contract" with corporatism *and* with the impoverished part of society. While the pressure groups in the local and foreign business sector are exceptionally

powerful and well-organised, there is almost no well-organised pressure groups in the ranks of the poor. While the pressure groups in the business sector are influencing government policy on a daily basis, the "pressure groups" in the ranks of the poor have almost no influence on government policy.

We are confronted with the unfortunate state of affairs that the "manoeuvring space" allocated to Pretoria/Tshwane by the new power constellation, is too narrow to implement a proper "social policy" and that the ANC is also not utilising the "manoeuvring space" available to it in a proper way to implement an adequate "social policy".

WHAT IS TO BE DONE?

A first possibility is for the four "power blocks" – Johannesburg, New York, Pretoria/Tswane and Washington – to "renegotiate" the "elite compromise" of the early 1990s. Such a "renegotiation" is highly necessary, but I suppose that it is completely unrealistic to think that New York and Washington will be prepared to return to the negotiation table.

A second possibility is a "mini-renegotiation" between the South Africa participants. I do not know whether such negotiation is possible, but I think we desperately need it. Such negotiation ought to take place between three "cities":

Johannesburg, Pretoria/Tswane and *Crossroads* – with Crossroads as the (empowered) representative of the poorer half of the population. For such a "mini-renegotiation" to widen the "manoeuvring space" available to the government and to improve the government's utilisation of it, certain conditions are necessary:

All three power blocks – Johannesburg, Pretoria/Tswane and Crossroads – must agree that the present South Africa conundrum is not a policy issue, but a systemic one. All three must agree that Pretoria/Tswane needs more "manoeuvring space" to address the bad and worsening situation in the Crossroads of SA. Johannesburg must acknowledge – both the white and the black parts of it – that a substantial part of the economic power and property in their hands have been accumulated undeservedly within unjust power structures and that they were artificially enriched by unjust state interventions. Johannesburg – both parts of it – must also be prepared to make substantial sacrifices – materially, psychologically, and ideologically – on behalf of a stronger Pretoria/Tswane and a less poor Crossroads. Pretoria/Tswane must be prepared to acknowledge that it has neglected the poor systemically and that the socio-economic condition of the poor has deteriorated since 1994. All three "cities" must search together for an ideological approach that will be more social democratic and less neoliberal/market fundamentalistic.

What is of utmost importance is the "mini-renegotiations" is that the traditional "social contract" between the ANC and the (black) social movement) – (civil society) should be restored.

I am aware that these proposals sound idealistic and unattainable. If anybody can put forward better proposals to get the "new" South Africa out of its conundrum, I will be very relieved.

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