

# THE UNSUSTAINABILITY OF THE POWER RELATIONS IN GLOBAL CAPITALISM

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## 1 The three main growth trends of the 20<sup>th</sup> century

The end of the 20<sup>th</sup> century offered us an opportunity to contemplate the main trends of the last 100 years. Although the 20<sup>th</sup> century displayed a multitude of trends, none of them was more spectacular and had more lasting effects than the following three “growth” trends: firstly, the growth in the total amount of goods and services “produced” world-wide; secondly, the growth of the world population; and thirdly, the “growth” in the damage done to the environment through pollution and through the exploitation of unrenewable scarce resources.

If we look at the first two growth trends in isolation, both can be regarded as major accomplishments of the 20<sup>th</sup> century. The quantity of goods and services “produced” in the 20<sup>th</sup> century was several times - perhaps five or times - greater than the total quantity of goods and services “produced” during the previous 19 centuries. This extraordinary accomplishment was achieved through spectacular progress in the natural sciences and technology - especially in the generation of energy; in the improvement of communication and transportation; through a spectacular increase in capital accumulation - not only capital deepening but mainly capital “modernisation” or “quickenning” (i.e. the embodiment of new knowledge and technology in new capital); through a much larger, better skilled and better motivated (or more productive) labour force, mainly due to much higher spending on education and training (i.e. higher investment in human capital); and through improved methods of evoking entrepreneurial and labour efforts by emphasising individual self-interests (or greed) more strongly than ever before.

The population of the world increased from 1,7 billion in 1900 to 6 billion in 2000 - it multiplied 3,5 times from 1900 to 2000! This growth trend - considered in isolation - can also be regarded as one of the main accomplishments of the century. This increase in the population would not have been possible without the spectacular advancements in the medical sciences and their application - especially in combating the spread of contagious diseases and in bringing down the high rate of infant mortality. The increase in the population was also made possible by major improvements in the production and distribution of food.

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While the growth of “production” and the growth of the population can be regarded - each on its own and in isolation from other trends - as benign growth trends and major accomplishments of the 20<sup>th</sup> century, nobody can regard the “growth” in the deterioration of the environment as a benign trend. It is a very malign phenomenon and - as we will show below - the result of both the growth in production and in population.

To understand the true meaning and the long-term effects of the three main growth trends of the 20<sup>th</sup> century, it is necessary to explore the three trends *together* to determine not only the close *interdependence* and the strong *interaction* or *interconnectedness* between them, but also the *spatial distribution* of the three trends in different areas of the globe. By taking the *interdependence*, the *interconnectedness* and the *spatial distribution* of the three growth trends of the 20<sup>th</sup> century into account, it becomes evident that all three growth trends - and not only the “growth” in the deterioration of the environment - are to a high degree *malignant* in nature. This combined malignancy of the three growth trends attain rather alarming dimensions when the combined effects of the three growth trends are extrapolated to the end of the 21<sup>st</sup> century.

Only 15% of the world’s population (or 900 million people) are living in the Rich North, i.e. in the highly industrialised “core” or in developed countries and the majority are members of the OECD. The rest of the world’s population - 85% of the total or 5,1 billion people - are living in the Poor South or in the “periphery” or in developing countries (see Tables 1 and 2).

**TABLE 1**  
**POPULATION AND INCOME SHARE OF THE RICH NORTH AND POOR SOUTH**

		<b>Population in Millions</b>	<b>GDP Per capita \$</b>	<b>Share of World Population %</b>	<b>Total Income \$Billions</b>	<b>Share of World Income %</b>
Poor South	1991	4528	1010	85%	4535	21%
Poor South	1997	4903	1250	84%	6124	20%
Rich North	1991	822	21530	15%	17303	79%
Rich North	1997	926	25700	16% <sup>1</sup>	23802	80%

Source: World Development Report, Table 1, 1993 and 1998/99.

<sup>1</sup> The increase in the percentage of people living in the Rich North in 1997 in comparison with 1991 can be attributed to the fact that the World Bank classified one or two countries as being part of the Rich North in 1997 in comparison with 1991.

**TABLE 2**  
**POPULATION AND INCOME SHARE OF THE RICH NORTH**  
**(HIGH-INCOME ECONOMIES) AND THE POOR SOUTH (LOW- AND MIDDLE-**  
**INCOME COUNTRIES) DURING THE 1990s - AN APPROXIMATION**

<b>Poor South</b> <b>(5.1 billion people</b> <b>in 1999)</b>		<b>Share of World</b> <b>Population</b>	<b>Share of World</b> <b>Income</b>
	Low income economies	60%	6%
	Low income and lower middle income countries	74%	11%
	Upper middle income countries	11%	9%
	Sub-Sahara Africa	10%	1%
	<b>Total Poor South</b>	<b>85%</b>	<b>20%</b>
<b>Rich North</b> <b>(900 million people</b> <b>in 1999)</b>	Top 1/3 in Rich North (300 million)	5%	50%
	Lower 2/3 in Rich North (600 million)	10%	30%
	<b>Total Rich North</b>	<b>15%</b>	<b>80%</b>

Source: World Development Reports, 1993 and 1998/99 and Atkinson, 1975, Tables 3.3 and 12.3.

The distribution of income between the Rich North and the Poor South is very unequal and became more unequal during the 20<sup>th</sup> century. During the 1990s the Rich North (with 15% of the world's population) received an average of 80% of the total income. The Poor South - with 85% of the population - received on average only 20% of total income during the 1990s.

The Poor South is also divided into three groups of countries. The Low-Income Countries had almost 60% of the world's population and received only 6% of world income during the 1990s. In 1991 the per capita income in these countries (including China and India) was only \$350 or \$1 per day. The Lower-Middle-Income Countries of the Poor South have 14% of the world's population and received on average 5% of income during the 1990s. In 1991 the per capita income in these countries was \$1590. The Upper-Middle-Income countries of the Poor South had 11% of the world's population and received an average 9% of the world's income during the 1990s. In 1991 the per capital income of these countries was \$3530. Sub-Saharan Africa's population in 1997 was 10% of the total and they received only 1% of world income! In 1997 the per capita income in the Poor

South was only \$1250 or more than 20 times smaller than the per capita income of \$25700 in the Rich North<sup>2</sup>.

The absolute and relative gap between the per capita income of the Poor South and the Rich North became much larger during the 20<sup>th</sup> century. It was mainly during the second half of the 20<sup>th</sup> century - when the Poor South experienced exceptionally high population growth rates and the Rich North exceptionally high economic growth rates - that the per capita gap “grew” at an alarming rate. In 1960 the richest 20% of the world’s population had incomes 30 times greater than the poorest 20% of the world’s population. In 1990 this ratio was 60 times greater<sup>3</sup>.

The problem of the unequal distribution of income does not only exist between countries in the Poor South and between the Poor South and the Rich North. It is also a problem between countries in the Rich North. In 1997 the per capital income of Greece (as the poorest country in the Rich North) was \$12 010 while the per capita income of Switzerland was \$44 320<sup>4</sup>. But what is perhaps of greater interest is that the distribution of income in most of the countries in the Rich North became more unequal during the last quarter of the 20<sup>th</sup> century after it had become somewhat more equally distributed during the third quarter of the century. In almost all the countries in the Rich North the share of the top 30% has increased since 1975, while the share of the lower 70% has decreased. Lester Thurow alleged in 1996 that the per capita income in the USA will be in 2000 more than double as large as in 1950. But all the additional income will be concentrated in 2000 in the hands of the top 30%, while the income of the lower 70% - i.e. of wage and salary earners - will be in real terms the same as in 1950! He asked the following important question: “How far can inequality [in the USA] rise before the system cracks?”<sup>5</sup>

The income of the top 1/3 in countries of the Rich North (i.e. 5% of the world’s population) in 1999 was more or less 50% of the total income of the world, while the income of the lower 2/3 in the countries of the Rich North (i.e. 10% of the world’s population) was more or less 30% of the income of the world.

## 2. Factors responsible for the Great Divide between the Rich North and the Poor South

It is important to determine what factors were responsible for the Great Divide between the Rich North and the Poor South. In an attempt to answer this rather difficult question we can start by

<sup>2</sup> World Development Reports of the World Bank, 1993 and 1998/99.

<sup>3</sup> Quoted by Nürnberg, 1999: 58.

<sup>4</sup> World Development Report, 1998/99.

<sup>5</sup> Thurow, 1996: 2.

noting that all the countries in the Rich North are situated in Western Europe and in North America. The only exceptions are Japan, Australia and New Zealand. The countries in the Poor South are situated in Latin America, South America, Africa, Eastern Europe and Asia. All the countries in Latin America, South America and in Africa were formal and informal colonies of European countries and the USA for long periods. Many of the countries in Asia have also been formal and informal colonies of Europe, the USA and Japan. For a large part of the 20<sup>th</sup> century the countries in Eastern Europe were satellite states (or colonies) of the USSR. All the countries which were part of the communist block during the Cold War (1947-1989) are now part of the Poor South.

Another obvious difference between countries in the Rich North and the Poor South is that all the countries in the Rich North are highly industrialised with not only well-developed capitalist economies but also well-developed democratic systems. In contrast, many of the countries in the Poor South find it rather difficult to become industrialised. The economic systems of the Poor South can in most cases not be described as fully developed capitalist economies, while the political systems of most of these countries are only newly institutionalised democracies whose sustainability is still uncertain.

In any attempt to explain the Great Divide between the Rich North and the Poor South it is necessary to take a multitude of historic, cultural, religious and ideological factors into account. While all the countries of the Rich North (with the exception of Japan) are part of Western and Christian civilisation, it is important to emphasise the significance of the process of modernisation that started more or less 500 years ago in Europe. Broadly based cultural, intellectual and ideological movements like the Renaissance of the 14<sup>th</sup> and 15<sup>th</sup> centuries, the Reformation of the 16<sup>th</sup> century, the Scientific Revolution of the 17<sup>th</sup> century and the Enlightenment of the 18<sup>th</sup> century created in Western civilisation a *Weltanschauung* based on rationalism, materialism and individualism as well as a pursuit for progress (especially economic progress) that was absent in the civilisations of other parts of the world. These attitudinal changes played an important role in the economic revival that was experienced in European countries from 1500 onwards. Simultaneously with the economic revival a multitude of institutional developments took place that in due time proved to be of decisive importance for the rise of the capitalist and the democratic systems. From the 15<sup>th</sup> until the 17<sup>th</sup> century the Italian city-states, Spain, Portugal, Holland and the Hanseatic League made important contributions towards the development of trade practices and shipbuilding, the development of money, banking and other financial institutions and the all-important technological developments. In the 17<sup>th</sup> century France was successful in modernising the handicraft industry. During the 18<sup>th</sup> and 19<sup>th</sup> centuries Britain was the pioneer in trade, banking and financial

developments and in the democratisation process, and succeeded in launching a technological and an industrial revolution at the end of the 18<sup>th</sup> century. During the first three-quarters of the 19<sup>th</sup> century Britain maintained its primacy in industrial production, but was overtaken in this by Germany and the USA in the last quarter of the 19<sup>th</sup> century.

The economic, technological, institutional and democratic developments that took place from about 1500 to about 1900 in Western countries can be put forward as an important reason why Western countries enjoyed economic primacy over the rest of the world from the beginning of the 20<sup>th</sup> century. On strength of this we can claim that the Great Divide between what is today the Rich North and the Poor South 'opened up' slowly from  $\pm 1500$  to  $\pm 1900$  and was to a large degree the result of the greater ingenuity, greater motive power and more successful entrepreneurship among Western peoples. Although this is a rather convincing argument, it is incomplete. What we must also take into account in our attempt to explain the Great Divide between the Rich North and the Poor South is the important contribution of state building and colonialism from 1500 to 1900 towards the rise of the West. This brings us to the indispensable role political and economic power played in the rise of the West.

Perhaps one of the most important differences between the Rich North and the Poor South is the much higher level of capital accumulation in the former. Capital accumulation represents the distinctive characteristic of capitalism. But capital accumulation could not happen in a political vacuum. Those responsible for capital accumulation needed the protection and the support of the political authorities. It is, therefore, not surprising that the rise of capitalism and the rise of the nation state occurred during the same period and in mutual support of each other. One of the decisive forms of support given by nation states to the emerging capitalist class from 1500 onwards was colonial expansion. Colonialism created rather lucrative opportunities for plunder for European countries - and later also for the USA and Japan. The colonial plunder undertaken by nation state governments and chartered companies was for many centuries an important - if not the most important - form of capitalist accumulation and indispensable for the rise to primacy of the Western world. A few examples will suffice to demonstrate this: the plunder of Latin America by Spain in the 16<sup>th</sup> and 17<sup>th</sup> centuries; the spice trade of the Portuguese and the Dutch during the 16<sup>th</sup> and 17<sup>th</sup> centuries; the slave trade in which many European countries participated and which was responsible for taking 12 million slaves from Africa to the Americas; the colonial and imperialist plunder by France and especially Britain from the 16<sup>th</sup> until the 20<sup>th</sup> centuries; the neo-imperialist plunder of especially Latin and South American countries by the USA during the 19<sup>th</sup> and 20<sup>th</sup> centuries; the

“scramble for Africa” in the 19<sup>th</sup> century and the colonial exploitation of Asian countries by Japan during the 20<sup>th</sup> century.

Several reasons can be given for the success attained by mainly Western countries in their colonial and imperialist expansion and exploitation. The Western countries had better ships and better guns at their disposal. Another factor that should not be underestimated is the lack of immunity of the indigenous people in the Americas, parts of Africa, New Zealand and in Australia to Western diseases. The high percentage of the indigenous people that died of smallpox and other diseases shortly after the arrival of the European colonists made it much easier for the colonists to deprive the rest of the indigenous population of their land<sup>6</sup>. But perhaps the most important reason for the success of the European colonists - looking at it from the point of view of the victors - was the comprehensive support given to them by the nation states. Colonialism was in last resort state-supported plunder on a massive scale and over a period of almost 500 years. All this plundering took place through the blatant misuse of power - nation state, military, bureaucratic and ideological power. This misuse of state power enabled the European countries to accumulate capital on a scale that simply would not have been possible without plundering the colonies. The important question to ask is whether it would have been possible for Europe to pull itself up by its proverbial bootstraps and to “liberate” itself from the chronic stagnation of feudalism and the Middle Ages were it not for the extraordinary profits made through colonial plundering. We have reason to claim that the Great Divide between the Rich North and the Poor South did not only ‘open up’ gradually from 1500 to 1900 as the result of the greater ingenuity and entrepreneurship of the West, but also - and perhaps to a greater degree - as the result of centuries-long colonial plunder supported by the active involvement of the emerging nation states. The nation states not only supported the colonial expansion through military means, but also through supplying the merchant companies with monopolistic charters.

Colonialism and imperialism not only enriched most of the countries that are now part of the Rich North, but they also disrupted, exploited and impoverished many of the countries that are now part of the Poor South. The disruptive effect of almost 400 years of slave trading in Africa brought about a destabilisation in Africa that has lasted to this day and is undoubtedly an important reason for the dismal state of affairs in large parts of Africa. The contagious germs brought to the former colonial world by European colonists resulted in massive mortality rates in colonial countries. In many of the colonial countries the indigenous population was wiped out almost completely by European diseases

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<sup>6</sup> See Diamond, 1997.

and by colonial warfare. In several parts of the world - for example, North America, Australia and New Zealand - population vacuums were created. This made it possible for the European colonies to become cultural extensions of Europe. These ex-colonies became so completely Westernised that today they are part of the Rich North. Some of the countries in the Poor South - and mainly those in the Upper-Middle-Income group like Brazil, Argentina, Mexico and South Africa - were exposed for relatively long periods to colonialism and Europe's influence, which means that the advantages of colonialism and "Europeanisation" are in their case perhaps greater than the disadvantages of colonialism. But almost all the countries with Low-Income economies and those with Lower-Middle-Income economies only became colonies of Western countries after the 'outbreak' of the New Imperialism in the last quarter of the 19<sup>th</sup> century. This final version of colonialism or imperialism lasted for almost a century - from ±1870 until ±1960 - and was exceptionally exploitative. Its main purpose was to plunder the lucrative mineral resources and plantations of the relevant colonies. The infrastructural developments that were brought about to facilitate the colonial plunder in these colonies were rather 'skewed' and all but conducive to post-colonial development<sup>7</sup>.

The first part of the period of New Imperialism - i.e. from ±1870 to 1914 - coincided with the first phase of global capitalism. This was also the period of liberal or *laissez-faire* capitalism. While the governments of Western countries did not intervene in their local economies in this period, they nonetheless gave large-scale military support to the nationalistically driven imperialist expansionism. During this period the world was on the gold standard and exchange rates were determined in the global gold market.

John Maynard Keynes, in his *General Theory* (1936), gave an economic explanation for the aggressive nature of imperialism in the half century before the First World War. According to him, *laissez-fair* capitalism and the gold standard compelled countries into a relentless international struggle: "Under the system of domestic *laissez-faire* and international gold standard ... there was no means open to a government whereby to mitigate economic distress at home, except through the competitive struggle for markets"<sup>8</sup>. The uncontrolled rivalry between the industrialised countries for colonies, raw materials and markets during the first phase of global capitalism caused a situation of political and socio-economic instability that could not be resolved except through a "global conflict" on the scale of the First World War<sup>9</sup>.

<sup>7</sup> See Terreblanche, 1980, Chapter 6.

<sup>8</sup> Keynes, 1936: 382.

<sup>9</sup> Imperialism in this period included the "scramble for Africa", the German *Drang nach Osten* into Eastern Europe and into Asia Minor, the dollar diplomacy of the USA into Latin and South America and into south-east Asia, the US commercial penetration of China through its "open door" policy and Japanese colonialism in Manchuria and Korea. This aggressive phase of imperialist plunder was legitimised by racist ideologies that claimed racial superiority for whites or Western people over those that were



By the beginning of the 20<sup>th</sup> century the Big Divide between what is today the Rich North and the Poor south had - with a few exceptions - already been established. Some countries, like Argentina and Brazil, were as agricultural countries severely affected by the Great Depression of the 1930s and deprived of the possibility of becoming part of the Rich North. Other countries like Sweden and Switzerland never had colonies to exploit, but being part of prosperous Europe they became part of the Rich North. During the unstable inter-war period the flow of trade and investment between countries dropped dramatically. The volume of international trade in 1938 was only 70% of the volume of 1913<sup>10</sup>. Consequently the close international integration that was built during the first phase of global capitalism was to a large extent dissolved during the unstable inter-war period. The Bretton Woods period of controlled exchange rate adaptations coincided with the golden age of high economic growth - especially in the countries in the Rich North. The annual growth rate of 16 industrialised countries - i.e. the core of the Rich North - from 1950 to 1973 was almost 5%, while the annual growth rate of the per capita income was almost 4%<sup>11</sup>. During this period the Poor South experienced a much lower economic growth rate and a much higher population growth rate. Consequently the gap in the per capita income of the Rich North and the Poor South became much bigger during the third quarter of the century.

The Bretton Woods system and the controlled adaptation of exchange rates came to an end when President Nixon closed the "gold window" in 1971. After a period of exchange rate uncertainty, the IMF's control over exchange rates was ended. Exchange rates of almost all countries since the middle 1970s have been established daily (and even every minute) by global financial markets. This "opening-up" of financial markets led to an unprecedented flow of goods and financial capital between countries. Together with the improvement of transportation and communication (especially telecommunication and the internet) the world became integrated into a so-called "global village" in which all countries in the world became closely interdependent on one another. After the fall of the Berlin Wall and the implosion of the Soviet Union, the process of globalisation became a process of "galloping" globalisation. As in the third quarter of the century, the gap between the per capita income of the Rich North and the Poor South widened further during the last quarter of the century. Between 1960 and 1991 the income of the richest 20% of the world's population increased from 70% to 85% of total income, while the income of the poorest 20% declined from 2,3% to a pathetic 1,4%.

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colonised. In 1895 Joseph Chamberlain confirmed his trust in the British race as "the greatest of governing races the world has ever seen". The other Western countries made similar claims.

<sup>10</sup> Maddison, 1986, Tables, F2-F6.

<sup>11</sup> Maddison, 1986: 45.

### 3. The structural dependence of the Poor South on the Rich North

We can regard the Rich North as the developed core and the Poor South as the developing periphery of global capitalism at the end of the 20<sup>th</sup> century. Due to a very unequal distribution of power between the core and the periphery, both trade relations and capital flows are *asymmetrical*. The periphery became *structurally dependent* on the core during the periods of colonialism and imperialism and this structural dependence has been intensified by the process of globalisation over the last 30 years. During the 1930s the Cambridge economists, Joan Robinson, justified Britain's imperialist exploitation as follows: "The misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all"<sup>12</sup>. By this argument she actually acknowledged the structural dependence that had been established after 40 or 50 years of imperialist exploitation by Britain in its colonies. It is rather ironic that those colonial countries that received their political independence through the post-war process of decolonisation in the 1950s and 1960s became economically "re-colonised" into global capitalism during the last quarter of the century.<sup>13</sup>

The structural dependence of the core on the periphery takes many forms. During the first phase of global capitalism (1870-1914) there were few restrictions on the flow of people and capital. In this period more than 50 million Europeans immigrated from Europe to the "New Europe's" and especially to the USA. Large numbers of Indians also migrated as plantation workers to other parts of the world. In today's global capitalism the flow of people from the Poor South to the Rich North is strictly controlled, while "mobile capital" (financial, physical and human capital) can flow almost unrestricted. The new global economy is therefore not nearly as "open" as the Rich North claims it to be. The Rich North is powerful enough to allow only the flow of people and capital that is to its advantage and to place restrictions on the flow of people that is not to its advantage. The "brain power" that is allowed to flow from the Poor South to the Rich North improves the productive capacity of the Rich North to the detriment of the already small productive capacity of the Poor South. Risk capital only flows to the periphery if the returns there are high enough to offset the greater risk in the Poor South. To experience an influx of capital the Poor South had to make concessions to the investors of the Rich North and these concessions can only be granted by the

<sup>12</sup> Robinson, 1965: 45.

<sup>13</sup> WA Lewis claimed in 1978 that the dependence that developed during the colonial period between developing and developed countries must be regarded as a main cause of poverty in the Poor South: "The principle cause of poverty in the developing countries, and of their poor factoral terms of trade, is that half their labour force (more or less) produced food at very low productivity levels. This limits the domestic market for manufacturers and services, keeps the propensity to import too high, reduces taxable capacity and savings, and provides goods and services for export on unfavourable terms. Lewis, 1978: 76.

governments of countries in the Poor South at the expense of local competitors and the local population at large.

Recent developments of the global economy have been primarily marked by integrating markets that are evolving increasingly rapidly, whereby financial markets develop much faster than commodity markets<sup>14</sup>. Modern information technology and the enormous growth of *financial capital* have made the situation in the countries of the Poor South particularly vulnerable vis-à-vis the Rich North<sup>15</sup>. The vulnerability of countries in the Poor South to “global speculation” by the large investment houses in the Rich North was demonstrated quite clearly - and in alarming ways - by the “global meltdown” of 1998. When the creditworthiness of some parts of the Poor South became doubtful, the large investment houses in the Rich North not only withdrew their financial capital from that part of the Poor South, but from all parts. The structural dependence of the Poor South is so extensive that developing countries are almost completely at the mercy of the large investment banks, whose actions are not predictable, but selfish, short-sighted and irrational.

Many countries in the Poor South have mainly agricultural products to offer at global markets. The agricultural production in the Poor South is relatively under-developed and its quantity and quality cannot readily compete with the scientific-technological farming methods found in the Rich North. But what is perhaps of greater importance is that the governments of the countries in the Rich North have the financial means to subsidise and protect their farmers against competition from agricultural products from the Poor South<sup>16</sup>.

The debt crisis of many countries in the Poor South is to a large extent also the result of one-sided actions by the Rich North. During the oil crisis of the 1970s the financial windfalls of oil-rich countries piled up in banks and had to be recycled into the global economy. In these circumstances it was lucrative for governments in the Poor South to borrow at low interest rates. When President Reagan spent billions of dollars on the US defence programme, interest rates soared and made debt servicing in the Poor South almost unbearable for countries. At the same time the development aid that was given to the Poor South by the Rich North was much lower than the amounts promised. The General Assembly of the United Nations accepted a resolution in 1975 that the Rich North

<sup>14</sup> If we assume an index basis of 100 in 1972, by the end of 1995 world production increased to an index of 806 and exports reached an index of 1277. But in the same time period, the financial markets index had exploded from 100 to 4266. This trend has further intensified since 1995.

<sup>15</sup> Nürnberger puts it as follows: “Financial capital is extremely volatile. News about market development spreads through a global system with split-second speed and huge financial resources are shifted from place to place ... Speculators [in the Rich North] exploit even the smallest currency fluctuations between countries to make gains [mostly at the cost of countries in the Poor South]”. Op.cit, p 126.

<sup>16</sup> Agricultural subsidies in OECD countries rose from 28% in 1980 to 47% in 1986. Quoted by Nürnberger, op.cit., 124, 127.

should give 0,7% annually of their GDP as development aid to the Poor South. Only a few countries reached this target. The average for the Rich North is less than 0,25%.

The structural dependence of the periphery on the core has a cumulative and an organisational character. The *developed* status of the core implies that it has a better infrastructure, a better educated labour force, a higher saving and investment rate, and much more can be spent on research and development. Consequently, the productivity and the productive capacity of its human and physical capital are much higher than on the periphery. It would take decades for the periphery - and for some countries even centuries - to improve its productivity and its productive capacity to the present levels of the core. The Poor South cannot do it without inputs - at relatively high prices - from the core. It is, therefore, no wonder that countries in the Poor South are *continuously* slipping backwards in relative terms even when making progress in absolute terms. The structural nature of the Big Divide makes it inevitable that the "gap" will become bigger and bigger, and with it the poverty and the misery in large parts of the Poor South will reach even more alarming dimensions.

The structural dependence of the periphery is to a large extent also the result of the much better *organisational* structures in the core in comparison with those of the periphery. The legal, political, economic and propaganda institutions are much better developed in the core than on the periphery. The highly developed legal system protects the property and patent rights of people in the core much better than on the periphery. The highly developed democratic system and the active role of the more pluralistic civil society in the core are together a better guarantee against institutional corruption and bureaucratic mismanagement. The weakness of the democratic system and the underdevelopment of civil society in many peripheral countries make the governments of these countries vulnerable to be corrupted by pressure groups and multinational corporations based in the core. But what is of decisive importance is that business organisations - banks, investment houses, corporations, professional organisations, etc. - are much larger, much richer, better equipped technically and much more powerful than similar organisations on the periphery. According to the United Nations Centre on Transnational Corporations, the number of multinational enterprises rose from 7000 to 35 000 from 1973 to 1993<sup>17</sup>. Almost all the enterprises are based in the core and they enjoy all kinds of legal, bureaucratic and political privileges and protection that is offered to them by the governments and the nation state system in the core. This protection and these privileges enabled them to compete with large advantages against enterprises on the periphery (see section 6 below).

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<sup>17</sup> United Nations Centre for Transnational Corporations, *World Investment Report* (New York, United Nations, 1994).  
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The rise of global capitalism over the last thirty years and the relentless discipline of a *stateless* world financial market, exerted its “discipline” on all countries in the world. The “globalisation” of production and finance has undermined the sovereignty of all countries. As was the case during the first phase of global capitalism (1870-1914), the present phase of global capitalism also limits the ability of nation state to pursue social and economic policies that are not compatible with the “prescripts” of the stateless global market. Although both developed and developing countries are experiencing a loss in sovereignty, the loss in sovereignty of countries in the Poor South is much larger and much more painful than in the Rich North. Although the sovereignty of the governments in the Rich North to pursue certain policy measures has been curtailed, the power of the nation states in the Rich North vis-à-vis the Poor South has been enhanced during the last 30 years.

To put the structural dependence of the periphery into its proper historical context, it is necessary to take the higher population growth rate on the periphery into account to establish to what extent the core was - directly and indirectly - responsible for the population explosion experienced by the periphery. During the 20<sup>th</sup> century the population of the periphery quadrupled while the population of the core more or less doubled. As we indicated above, almost all the countries of the periphery had been colonies of countries in the core. In as much as colonial and imperialist exploitation were responsible for the chronic poverty experienced by many countries on the periphery and insofar as this poverty proved to be conducive to a higher population growth rate, the core has to take some responsibility for the high population growth rates on the periphery. But colonialism and imperialism also disrupted the social structures and destroyed the moral norms and the sexual and marriage habits that controlled the population growth rate in peripheral countries for centuries at levels much lower than those experienced in the 20<sup>th</sup> century. In as much as the social disruption and the destruction of social, sexual and marriage habits by colonialism had created conditions conducive to sexual promiscuity and an uncontrolled increase in the birth rate in many countries on the periphery, the core also has to take some responsibility for the high population growth rates on the periphery.

The core also made an important contribution in at least two other ways to sustain the high population growth rate in peripheral countries. The spectacular development of medicine occurred mainly in the core and was exported to the periphery at a high price. Likewise the “green revolution” in food production also occurred mainly in the core and was also exported to the periphery at a high price. The core has done the latter a great disservice in its multifaceted relations with the periphery during the 20<sup>th</sup> century. In as far as the core “supported” or “caused” the high

population growth rate on the periphery and has not given comparable “support” to enable the periphery to attain an economic growth rate equal to (or preferably higher than) the population growth rate, the core can justifiably be blamed for the low growth (and in many cases the decline) of the per capita income of countries on the periphery.

#### 4. The impact of the high economic and population growth rates on environmental deterioration

Both the high rate of economic growth and the high rate of population growth during the 20<sup>th</sup> century are important reasons for the “growth” in the deterioration of the environment. The growth in the population from 1,7 billion to 6 billion during the 20<sup>th</sup> century implies that many more people are now making “demands” on natural resources and are responsible for human waste and pollution. The sharp increase in the number of people is, therefore, of great concern from an environmental point of view. But the harm done to the environment by the growth of the population is not nearly as great as the harm done to the environment by the high economic growth rate and the high standards of living maintained in the Rich North. The nature of the production processes in the affluent Rich North with its sophisticated living standards are responsible for a much higher level of deterioration of the environment. It was estimated at the Rio de Janeiro Conference on the environment in 1992 that to maintain the high standard of living, the per capita harm done to the environment by citizens in the USA is  $\pm 30$  times higher than the per capita harm caused by the citizens in India<sup>18</sup>. If we regard the harm done to the environment by every USA citizen as representative of the harm done by each person in the Rich North, and if we regard the harm done to the environment by every Indian, as representative of the harm done by each person in the Poor South, then the harm done to the environment by 900 million people in the Rich North is more than 5 times greater than the harm done to the environment by the 5.1 billion people of the Poor South! But we should take note of the fact that the inhabitants of some countries - for example, in many countries in Africa - are so poor that they can remain alive only by making themselves guilty of ecological plunder. It may, therefore, be reasonable to scale down the damage done to the environment by the Rich North in comparison to the Poor South from 5 times to 4 times higher. While the people of the Rich North are living in 25% of the land area, the environmental harm for which they are responsible is not limited to their 1/4 of the land area, but is spread all over the globe.

<sup>18</sup> America, with a population equal to 4% of the world's population, was responsible for 22% of the carbondioxide pollution and for 25% of the depletion of non-renewable energy resources. In contrast, India with a population equal to 16% of the world's population was only responsible for 3% of carbondioxide pollution and for the depletion of 3% of the non-renewable energy resources (Time Magazine, June, 1992).

The short-sightedness and the arrogance with which the Rich North is “destroying” the environment to maintain its extravagant lifestyle, becomes apparent when we estimate the harm that would be done to the environment if the living standards of every person in the Poor South’s should be increased to the same standard as the people of the Rich North. This would multiply the harm done to the environment by 30 times - or at least by 20 times! It would in all probability cause such a “destruction” of the environment that the globe would become uninhabitable for human beings! This implies that the Rich North is in fact responsible for *unsustainably* high levels of ecological “destruction”. It is only possible for the Rich North to maintain its excessively high living standards by “plundering” the Poor South through the neo-imperialism inherent in global capitalism, and by “plundering” the environment and in doing so destroying some of the “living space” of future generations! Or, to put it differently, the Rich North can only maintain its high living standards by shifting part of the “cost” to the Poor South and a part of the “cost” to future generations<sup>19</sup>.

In 1969 an American economist, Walter Heller, formulated the “destruction” caused to the environment by the Rich North as follows:

*“[The] first claim on the products of growth should be to repay the ravages of the growth process. If as by-products in our quest for growth, we destroy the purity of air and water, generate ugliness and social disorder, displace workers and their skills, gobble up our natural resources and chew up the amenities in and around our cities, the repair of that damage should have first call on the proceeds of growth. If the damage is essentially a private cost forced on society, as in the case of industrial effluents and smoke discharge, it should be forced back on those private units. But much of the problem and the costs can be met only by government.”*<sup>20</sup>

Heller’s statement has far-reaching implications for the general economic policy and specifically for the growth policy of rich countries. If all direct and indirect *costs* of economic growth had to be calculated and compensated for *immediately*, the positive attitude towards a high growth rate would probably be considerably less enthusiastic! To put this in another way: *if all production factors would receive a (factor) price that is reconcilable with the economic reproduction of the factor concerned, the growth rates attained by the rich industrialised countries in the past half century would probably have been considerably lower.* The way in which “costs” and “profits” are determined in the capitalist’s world in accordance with the economic theories of the neo-classical school, unfortunately makes it not possible to determine the “exploitation” of the environment and the “exploitation” of labour inherent to almost all capitalist production processes. The theoretical approach of mainstream economists in the capitalist world can be regarded as an important reason

<sup>19</sup> See special edition of Time Magazine in November 1997.

for the *indifference* towards the harm done to the environment by high economic growth rates in especially the Rich North.

The process of globalisation can be described as the widening, deepening and speeding up of world-wide *interconnectedness*. It is not only financial markets, technology, media and communication that are becoming more closely “interconnected” in the shrinking global village, but also the malignant effect of the “growth” in the deterioration of the environment. The malignant effect of high economic growth rates and high population growth rates are responsible for a frightening accumulative, widening, deepening and speeding up of a world-wide deterioration of the environment. The contribution of the Rich North to the malignant “growth” is not only at least 4 times greater than the contribution of the Poor South, but it is also not kept within the territorial and nation state borders of the Rich North, but is “exported” world-wide. The tolerance with which the people of the Poor South accept the malignant effects of the production and consumption patterns of the Rich North on our common “global village” is indeed puzzling.

##### 5. The Power of the Rich North vs the Powerlessness of the Poor South

Up to this point we have considered the *interdependence*, the *interconnectedness* and the *spatial distribution* of economic growth, population growth and environmental deterioration during the 20<sup>th</sup> century. We have established the following three joint results of the three growth trends:

Firstly, the gap between the per capita income of the Rich North and the Poor South has grown almost uninterruptedly during the 20<sup>th</sup> century and all indications are that it will grow much bigger in the 21<sup>st</sup> century. The UNDP’s Human Development Report 1996 expresses serious concern about this growing gap: “*If present trends continue, economic disparities between industrial and developing countries will move from inequitable to inhuman*”.

Secondly, many people in the Rich North live in extravagant wealth and luxury, while of the 5,1 billion people in the Poor South, at least 2 billion are living in extreme poverty and at least another 2 billion in abject and inhuman poverty. During the 20<sup>th</sup> century - but especially during the last 30 years - globalisation has produced a zone of peace and comfort for a minority and a zone of turmoil and misery for the majority of people on the globe. At no stage since the birth of Christ have so many people lived in such dismal poverty as at the end of the second millennium. And at no time

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<sup>20</sup> Heller, WW, “Government and Economic Growth”, in *Readings in Economics*, ed. H. Köhler (1969), p. 579.  
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since the birth of Christ was the “production” of goods and services as extensive as at the end of the 20<sup>th</sup> century. But what is really alarming is that the turmoil and misery in the Poor South are in many ways the direct result of the integration of this zone into global capitalism. What has always been true of unbridled capitalism is now so much the more true of *stateless* - and therefore totally *unbridled* - global capitalism, i.e. *the rich minority is becoming shockingly richer and the poor majority is becoming shamefully poorer!* Given the high level of *interconnectedness* in the shrinking global village, the wealth of the Rich North and the poverty of the Poor South have become two sides of the same global coin. The Rich North cannot distance itself from the poverty in the Poor South and the Poor South cannot distance itself from the wealth of the Rich North.

Thirdly, both the high population growth rate and the high economic growth rate during the 20<sup>th</sup> century were responsible for an alarming malignant “growth” in the deterioration of the environment. What is of real concern is that the contribution of the high economic growth rate in the Rich North to this malignancy is much greater than the contribution made by the high population growth rate in the Poor South. The fact that a large part of the harm done to the environment is “exported” to the Poor South makes an important contribution towards the misery of the people in the Poor South and puts a serious stumbling block in the way of prospects of higher living standards for people in the Poor South.

The real difference between the Rich North and the Poor South, however, is not the difference in income levels, nor the difference between wealth and poverty, nor the relative contribution of both worlds to the malignant “growth” in the deterioration of the environment, *but the immense POWER that has become concentrated in the 24 countries that constitute the Rich North and the pathetic POWERLESSNESS of the odd 110 countries that constitute the Poor South.* It is important to realise that the huge concentration of political, economic, corporate, organisational and ideological POWER in the Rich North are *protected* behind the *nation state* borders of each of the 24 countries in the Rich North. All the power is nation state-centred and the governments of the 24 states played an important role - during the 20<sup>th</sup> century - in the *concentration* and the *accumulation* of the different kinds of power in their own countries. It is not technology alone that has driven globalisation, but rather policies of governments that first opened up new opportunities for the development of global capitalism. The increased globalisation of financial markets during the last three decades was undoubtedly the result of decisions of the relevant governments that granted more freedom, more opportunities, more power and more nation state protection to those “players” that are actively involved in the “global game”. The problem of the extraordinary wealth in the Rich North and alarming poverty in the Poor South is not a technical problem, but an organisational

problem. It is simply wrong to organise the world in 24 rich and powerful nation states on the one hand and into 110 poor and weak nation states on the other hand and to do almost nothing on a global level to bridge the growing gap between the two “worlds”.

The Big Divide between the Rich North and the Poor South would have been inconceivable without the sovereignty of the nation states. All the “strong” states had built the strength of their sovereignty, the power of their citizens and the power of their organisational structures over centuries as part and parcel of the process of colonialism and imperialism, as we have already indicated above. The “strong” states had given all kinds of legal, organisational and property rights and privileges to their citizens and organisations over a long period. These states were strong enough to decide when and how to integrate into global capitalism, and they could choose the degree of isolation or regulation which served their national interest better. While the first phase of globalisation created “space” for the free flow of capital and people, the “strong” states decided that, in the second phase of globalisation, it would be in their interest that only “mobile capital” (financial, physical and human capital) could flow in an unrestricted way but that immobile “natural” labour could not flow from the Poor South to the Rich North. In last resort the process of globalisation has not attacked the sovereignty of all nation states equally, but it is a process that enables the “strong” and the “powerful” to become stronger and more powerful vis-à-vis the increased powerless of the nation states in the Poor South.

To understand the power structures in present-day global capitalism it is important to understand the *restructuring* of power relations that has also taken place *within* the countries in the Rich North during the last 30 years. The Bretton Woods period (1945-1974) was the high point of the system of democratic capitalism and of social democratic ideology. During this period power was distributed fairly equally between the democratically elected government and its bureaucracy in the public sector, on the one hand, and the private sector corporations, on the other hand. During this period organised labour was also strong enough to play, with other organisations in civil society, an important “countervailing role” against the power of the corporate sector. But with the rise of global capitalism and the acceptance of the ideology of new liberalism over the last three decades, the power relations within the countries in the Rich North have become rather drastically *restructured* in favour of private sector corporations and to the detriment of the democratically elected governments and bureaucracies in the public sector and also to the detriment of organised labour. The view of the American political philosopher Robert Dahl on this subject is interesting. In books he published between 1956 and 1980 he claimed that in the comprehensive democratic and capitalist system power is distributed in such a way that a wonderful “competitive equilibrium” was created. He propagated the idea that Power is

effectively disaggregated and non-cumulative and that it is shared and bartered by *numerous* groups in society representing diverse interests<sup>21</sup>. In a book he published in 1985 (i.e. after the rise of Global Capitalism) he changes his point of view radically. In this book he comes to the conclusion that “modern corporate capitalism tends to produce *inequalities* in social and economic resources (and power) so great as to bring about severe violations of political equality and hence of the democratic process”<sup>22</sup>. According to this neo-pluralist view of Dahl and others, interest groups (like the big corporations) cannot be treated as necessarily equal, and the state cannot be regarded as a neutral arbiter among all (the powerful) interest groups. Consequently the big business corporations wield *disproportionate* influence over the state, and therefore, over the nature of democratic outcome.

Within the corporations in the private sector power has also escalated into the hands of a relatively small managerial elite of the MNCs. This corporate elite's power is very much entrenched and protected by all kinds of rights and privileges within the nation state system. The escalation of power to the managerial elite in the countries of the Rich North has caused a sharp increase in the income of the top 30% and a decline in the income of the lower 70% over the last 30 years.

The restructuring of power *between* the Rich North and *within* countries over the last 30 years, is responsible for not only a much more unequal distribution of income between the Rich North and the Poor South, but also for a much more unequal distribution of income between the capitalist elite and the rest of the population in almost all the countries of the world. The distributional implications of globalisation is already not reconcilable with domestic concepts of *distributive justice* and is destined to become even less reconcilable in the years ahead. Jeffrey Williams alleges that the same kind of inequalities also resulted from the first phase of globalisation before the First World War and was then also not reconcilable with democratic concepts of distributive justice<sup>23</sup>.

The new power relations *between* and *within* countries have the effect that globalisation intensified social problems for (especially in the Poor South) from two sides. On the one hand the bargaining power of labour has been weakened by globalisation and many countries - especially in the Poor South - are struggling with high unemployment and severe poverty. At the same time the relentless discipline of global markets have forced governments to retrench their spending on social welfare. Dani Rodrick puts it as follows:

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<sup>21</sup> See Dahl, 1961; See also Held, 1987, Chapter 6.

<sup>22</sup> Dahl, 1985, p 60.

<sup>23</sup> According to Williamson, “[G]lobalization ... accounted for more than half of the rising inequality in rich, labor-scarce countries, [e.g. the United States, Argentina, and Australia] and for a little more than a quarter of the falling inequality in poor, labour-abundant countries [e.g. Sweden, Denmark, and Ireland]” in the period before World War I ... Williamson concludes that “the inequality trends which globalization produces are at least partly responsible for the interwar retreat from globalization [which appeared] first in the rich industrial trading partners” Williams, 1996: 19-20.

“The social welfare state has been the flip side of the open economy. International integration thus poses a serious dilemma: Globalisation *increases* the demand for social insurance while simultaneously *constraining* the ability of governments to respond effectively to that demand”<sup>24</sup>.

The dilemma created by globalisation is much more intense in the Poor South. In contrast with the Rich North, the countries in the Poor South ought to increase their social spending to improve the social, educational and productive capacity of their citizens. While the level of social spending in many of the countries in the Poor South was already too low before the rise of Global Capitalism, the relentless discipline of the global market - given the overall economic vulnerability of countries in the Poor South - has forced those countries to lower their social spending quite considerable. This is a rather unfortunate development if we consider the pressing need for poverty upliftment and societal development in almost all of the countries in the Poor South.

#### 6. The rise of globalisation and the rise of the managerial elite

The largest concentration of power in the Rich North is in the hands of the 35 000 (or perhaps already 40 000) multinational corporations (MNC). All these corporations enjoy special legal protection and other corporate privileges that enhance their capacity to operate enormously profitably in their own and in other countries. Many of the MNCs are only prepared to operate in the Poor South if the governments of the relevant countries are prepared to grant them special privileges. They are empowered, so to speak, at both ends. The MNCs of the United States are, for example, such powerful and privileged instruments of neo-imperialism for the United States that it is no longer necessary for the government to implement a colonial policy to plunder other countries to the advantage of the USA. While it was in the 19<sup>th</sup> - and perhaps also during the first half of the 20<sup>th</sup> century - often necessary for the government of an imperialist mother country to send gunboats and soldiers to colonies to protect and to promote their corporations' colonial interest, in present-day global capitalism the power relations between the Rich North and the Poor South have become *structured* in such a manner in global capitalism, and the MNCs have been empowered to such an extent, that it is sufficient to send senior officials of the MNCs and/or senior officials of the World Bank and the IMF to settle disputes in the Poor South countries to the advantage of the MNCs in the Rich North and to the detriment of the countries in the Poor South.

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<sup>24</sup> Rodrick continues, “...(T)he global expansion of markets is undermining social cohesion and is inexorably leading towards a major economic and political crisis ... [Consequently] the broader challenge of the 21<sup>st</sup> century is to engineer a new balance between *market* and *society* - one that will continue to unleash the creative energies of private entrepreneurship without eroding the social basis of co-operation”. Rodrick, D. Spring, 1997: 22, 30 & 36.

The restructuring of power relations over the last 30 years is also responsible for an increase in the power concentrated in the hands of the managerial elite in control of the MNC. This has happened in both “worlds” but especially in the Rich North with its large number of MNCs. At the same time the powerful managerial elite has emerged as the strongest (and the most effective) protagonists of the (alleged) merits of *stateless* global capitalism.

According to Galbraith the power of the managerial elite depends to a large extent on their ability to create a more attractive *image* of the large corporations through effective ideological propaganda (with the help of the mass media):

[The big corporation is] the institution that most changes our lives and [which] we least understand, or, more correctly, seek most elaborately to misunderstand ... It exercises a greater influence on our livelihood and the way we live than unions, universities, politicians or government. There is a corporate *myth* which is carefully and assiduously propagated. And there is the *reality*. They bear little relation to each other. *The modern corporation lives in suspension between fiction and truth*<sup>25</sup>.

The philosopher, Noam Chomsky, claimed in a lecture at the University of Cape Town in June 1997 that the unhealthy and tyrannical POWER in the hands of the large corporations is something that emerged at the beginning of the 20th century. Corporations at that time began to consolidate the “privileges” they had enjoyed within the democratic rule of law and have since then expanded them to the exaggerated POWER they have today:

The whole system of private tyranny, the existence of corporations, is a very modern development. In the USA, it happened early this century. Before that, corporations had no [special] rights. They were partnerships and restricted to particular actions determined by state charter. That changed early in the century, *not by legislation, but by courts and by lawyers* - the international community played its role. These institutions were given extraordinary rights [and POWER] that they never had before.

One of the most important reasons why the managerial elite of the large corporations find it so easy to maintain and to legitimise their power once it has been consolidated is because there seems to be no *effective* way of making this managerial elite *accountable* to the broader public. In this respect their power differs radically from that of politicians. A governing political elite must participate in a democratic election every four or five years in which they must *account* for the way they have used their political and bureaucratic power. In every election the elite group (or party) that had ruled may

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<sup>25</sup> Galbraith, 1977: 257.

be re-elected, or another elite group may be invested with democratic authority. But this does not apply to the managerial elite. Corporations are in fact obliged every year to hold a meeting of shareholders, but the function of such meetings has become almost completely watered down. Corporations are also obliged to let their books be audited each year, but the business relationship between the large corporations and the large accountancy firms are often of such a nature (and both subscribe to the same corporate myth) that the corporations are not scrutinised to the necessary degree. We have reached a state of affairs in which even the federal government in the USA is hardly able to call for effective accountability from the large corporations. The ability of governments in the Poor South to call for effective accountability from MNCs is for all practical purposes zero!

Any explanation of the powerful position of the Rich North vs the relative powerlessness of the Poor South would be incomplete without a clear understanding of the way in which ideological propaganda is used to legitimise the hegemony of the Rich North. The alleged advantages of global capitalism are propagated relentlessly and with religious zeal by the governments of the Rich North and especially by the managerial elite of the MNCs and by all other organisations in the Rich North with a vested interest in global capitalism. All these “power groups” have billions of dollars at their disposal to propagate the “global ideology” and, what is perhaps even more important, all of them have access to the “global mass media” to carry the “message” of global capitalism to every corner of the globe. The MNCs also have all the means at their disposal to propagate *consumerism* world-wide irrespective of the ability of people to buy the products and to become part of the “American dream”. As long as the rich are moulding their consumption patterns on the “prescripts” of consumerism, the legitimacy of global capitalism will probably remain intact in the Rich North. It is, however, possible, and even probable that the frustrations caused by consumerism in the Poor South can cause a massive rejection of global capitalism in the Poor South.

The proponents of the global economy regard global capitalism as an unmixed blessing, while they claim that global markets have the *potential* to stimulate productivity and higher living standards world-wide. The typical argument of the managerial elite is that globally integrated economies can lead to an improved distribution of labour among countries because countries with low wages can concentrate on labour-intensive production processes, while countries with high wages can also use their labour more productively. Moreover, the price mechanism will lead to a more efficient organisation of production across the globe and a more efficient distribution of goods and services. They also claim that developing countries will benefit over the longer term as they cannot develop without the technology, the capital and the professional labour that flows to them from the

developed countries and which are absolutely essential to them. Another alleged advantage is that large firms can better exploit the benefits of scale of large-scale production in a global economy. Globalisation will in the long run - according to its propagandists - not just increase the quantity of transactions but also their quality. Very little of these promises have been realised on the contrary.

The argument for an unbridled global economy is in effect the same ideological argument as the one put forward by the proponents of *laissez-faire* capitalism in the 19th century. It was argued that an unbridled domestic market economy - where relentless competition and the law of the "bottom line" are decisive - would lead to the effective allocation of resources and the highest growth rate for the country concerned. The ideological propaganda to legitimise global capitalism, however, is fundamentally flawed because - like the free market propaganda of mainstream neo-classical economies - it ignores almost completely the role played by institutionalised *power constellations* within the countries in the Rich North and especially between the Rich North and the Poor South. In a book by Heilbroner and Milberg about the *Crisis of Vision of Modern Economic Thought* they put the case against the lack of reality of modern mainstream (or neo-classical) economics as follows:

(T)he mark of modern day economics is its extraordinary indifference ...[towards] a visible concern with the connection between *theory* and 'reality' ... At its peak, the 'high theorising' of the present period attains a degree of *unreality* that can be matched only by medieval scholasticism<sup>26</sup>.

Cole, Cameron and Edwards are also of the opinion that mainstream economics does not give an theoretical justification of the free market system, but represents a deliberate obfuscation of the capitalist reality to protect powerful vested interests:

The free market system is not only regarded by social democrats as unlikely to remove glaring poverty, it is also suspect of being an *ideological* veil disguising a reality in which resources are allocated with little regard to the general social interest<sup>27</sup>.

Mainstream economies and their defence of the free market and of global capitalism can indeed be regarded as ideology in the service of power, i.e. an ideology to protect and to legitimise the power and the property of the managerial elite in capitalist countries and an ideology to protect the power of the Rich North against the threat of the Poor South<sup>28</sup>.

<sup>26</sup> Heilbroner & Milberg, 1996: 3-4.

<sup>27</sup> Cole, Cameron & Edwards,

<sup>28</sup> Rodrick puts it as follows: "[Mainstream] economists' standard approach to globalization is to emphasise the benefits of the free flow of goods, capital and ideas and to overlook the *social tensions* that may result". Rodrick, Spring 1997: 31.

We can regard the global economy as a euphemism for the American world. The USA - as the only remaining superpower - has a vested interest in maintaining the *structural imbalance* between the Rich North and the Poor South. Jeffrey Sachs puts it as follows:

America has wanted global leadership on the cheap. It was desperate for the developing world and post-communist economies to buy into the [USA *vision* of the world] in which globalisation, private capital flows and Washington advice would [according to American propaganda] overcome the obstacles to sharing prosperity so that the pressure on the rich countries to do more for the poorer countries would be contained by the [American] dream of universal economic growth ... In essence, America has tried to sell its national *ethos* [to the rest of the world]: *the rich need not help the poor, since the poor can enjoy rising living standards [through participating in global capitalism] and someday become rich themselves*<sup>29</sup>.

A typical example of the kind of propaganda the USA is making to justify global capitalism and the USA's position in it is the following statement of US Treasury Secretary, Larry Summers: "When history books are written 2000 years from now about the last two decades of the 20<sup>th</sup> century, I am convinced that the end of the Cold War will be the second story. The first story will be about the appearance of emerging markets, about the fact that the developing countries - where more than 3 billion people live - have moved towards the market and seen rapid growth in income". This "movement", however, is not true of Latin America and Africa. From 1980 to 1993 income per person in Latin America has grown only by 0,3% annually, compared with 3,5 from 1960 to 1980. In Africa the income per person declines by 1% annually from 1980 to 1993, while it has grown almost 2% annually from 1960 to 1980<sup>30</sup>.

Perhaps the most remarkable characteristic of global capitalism is that it is *stateless* and that no political authority has any effective control over it - especially when it gets derailed. It is sometimes alleged that the WTO, the IMF and the World Bank - the three most important international economic institutions - are "institutions of global governance". But as Mark Weisbrot pointed out correctly, these institutions "*are much more of a global anti-government, unaccountable to any electorate ... One does not need a conspiracy theory to notice the progressive transfer of economic decision-making from governments to unelected bureaucrats*"<sup>31</sup>.

The annual meetings of the G8 can also not be regarded as an "institution of global governance". This group is in last resort only interested in their own rich countries and not in the long-term

<sup>29</sup> Sachs, The Economist, September 12, 1998: 21.

<sup>30</sup> Information from Weisbrot, in Mail and Guardian, 12 May, 2000.

<sup>31</sup> Mark Weisbrot, "Free Humanity from the grip of globalisation", Mail and Guardian, May 12 to 18, 2000: 31-32.



interest of the inhabitants of the globe. To broaden the G8 to a G22 or G25 would be of little avail given the structural dependence of the Poor South on the Rich North. If global capitalism is indeed “stateless”, who is controlling it? The answer to this question is rather obvious: it is controlled by the managerial elite of the MNCs with the consent and the support of the governments of the nation states in the Rich North. This can turn out to be *the* Achilles heel of the second phase of global capitalism. The first phase of global capitalism was abolished by the First World War and by the Great Depression, exactly because it was also *stateless*. During the “global meltdown” of emerging markets in 1998 the vulnerability of global capitalism was demonstrated in a frightening manner.

#### 7. A comparison between apartheid South Africa (1975) and global capitalism (2000)

We can draw a remarkable comparison between apartheid South Africa (ASA) (in say 1975) and global capitalism at the end of the 20<sup>th</sup> century. The apartheid system reached its high point at the middle of the 1970s. The apartheid South Africa of 1975 was in many respects a *microcosm* of global capitalism in 2000. The ASA’s population was 26 million and 4 million (or 15%) were living in the core while the non-white population of 22 million (or 85%) was living on the periphery.

The distribution of income in ASA 1975 was not as unequal as in global capitalism 2000 (see Table 3). The white core received 70% of income and the black periphery 30%. Almost 80% of the population in the Poor South are living in poverty and the lower 40% in abject poverty in the Poor South. More or less 80% of the black population in ASA 1975 were also living in poverty and the poorest 40% were living in abject poverty.

**TABLE 3**  
**COMPARISON OF POPULATION AND INCOME DISTRIBUTION IN APARTHEID SOUTH AFRICA 1975 AND IN GLOBAL CAPITALISM 2000**

	ASA 1975 (Microcosm)		Global Capitalism 2000 (Macrocosm)	
	White Core %	Black Periphery %	Core %	Periphery %
Population	15	85	15	85
Income	70	30	80	20

The similarities between the power structures in the ASA’s microcosm and global capitalism’s macrocosm is even more striking and also more important. In Global Capitalism 2000 the Poor South is structurally dependent on the Rich North. In ASA 1975 the blacks were also structurally dependent on the whites in the Core. All the nation states in the Rich North are highly developed industrialised countries with well-developed democratic systems. These nation states dominate the international economic and political institutions like the WTO, the IMF, the World Bank, the

Security Council of the UN and also the OECD. The core in ASA 1975 was highly industrialised and all the political power was concentrated in the hands of a white “democratic” system. A very high percentage of the productive capacity and professional labour is presently concentrated in the Rich North. In ASA 1975 a very high percentage of productive capacity and professional labour was concentrated in the white core. In global capitalism 2000 the Rich North is responsible for a very high percentage of technological research and new knowledge. This was also the case with the white core in ASA 1975. In global capitalism 2000 the Rich North has access to the mass media and is using it for sophisticated ideological propaganda to legitimise and to perpetuate its own power and privileges. In ASA 1975 the white core also had access to the mass media and also used it for sophisticated ideological propaganda to legitimise and to perpetuate the power and the privileges of the whites.

As we indicated above, the Big Divide between the Rich North and the Poor South “opened up” over a period of 4 to 5 centuries and Western colonialism and imperialism played an important role in this “opening up”. The power and privileges enjoyed by the whites in the ASA in 1975 were also the result of a process of colonialism and neo (or “internal”) colonialism over a period of more than 300 years. As the countries in the Rich North used their nation state sovereignty and the legitimacy of the nation state idea to protect and promote their power in global capitalism 2000 (if necessary with military force), so the whites in ASA 1975 used the sovereignty of the Republic of South Africa (as acknowledged by all the nation states in the Rich North) and the (alleged) “legitimacy” of the white parliament to protect and to promote white power and privileges with every legal and military means at their disposal. While the wealth in the Rich North and the poverty in the Poor South are causally linked and two sides of the same “global coin”, so the wealth of the whites and the poverty of the blacks were also causally linked and two sides of the same “apartheid coin” in South Africa.

We can demonstrate the *structural dependence* of the Poor South in global capitalism 2000 and of the non-white periphery in ASA 1975 with scheme 1 and scheme 2. The trade, investment, and labour relations between the Poor South and the Rich North in global capitalism 2000 and between the non-whites and the whites in South Africa can be compared with a soccer game. In both cases the playing field was very uneven. This was the result of the structural dependence of the Poor South and the black periphery on the Rich North and the Poor South respectively. The soccer team of blacks in ASA 1975 had to play continuously on a very steep slope against the powerful team of the whites, and while they were playing a strong ideological wind was blowing in their faces. The soccer team of the Poor South has to play continuously on a very steep slope against the powerful

team of the Rich North, and while playing a strong ideological wind is blowing from the North in their faces. It is not surprising that the blacks in ASA 1975 were always on the losing side and that the Poor South in global capitalism 2000 is also always on the losing side!

In 1994 apartheid was abolished after 20 years of liberation struggle. A deep-seated political transformation has taken place in South Africa since then. Several reform processes have been set in motion to “level the playing field” for black and white. Due to these reform processes, South Africa in 2000 is an incomparably better country than it was in 1975 or in 1989. The transformation process, however, is not complete yet. Although remarkable political and social transformations have already taken place, attempts to bring about socio-economic transformation have been relatively unsuccessful. Ironically enough, the “prescriptions” of the global economy have restricted the “sovereignty” of the new democratically elected government in addressing the problems of poverty and other legacies of the apartheid period to the necessary degree. While ASA 1975 was a microcosm of the global macrocosm, South Africa is now an ordinary country in the Poor South and within the structure of global capitalism even more dependent on the Rich North than was the case with ASA 1975.

It is unnecessary to emphasise the need that the “playing field” on which the Poor South has to play against the Rich North should also be levelled *drastically*. As the power structures in ASA 1975 were *vulnerable and unsustainable*, and while the discrimination against the blacks was *unjust and inhuman*, so the power structures in global capitalism 2000 are also *vulnerable and unsustainable*, and the poverty and the structural dependence of the Poor South are equally *unjust and inhuman*. It is not possible to “create” a better world through more and more economic growth within the present structures of global capitalism. The only road to a better world is through a *fundamental restructuring* of the global system. In this restructuring process the viability of the “nation state idea” of Westphalia (1648) in today’s world will have to be reconsidered thoroughly.

Peter Sutherland (chairman of the Overseas Development Council) describes the disadvantages of the global economy and the challenges with which it is confronted as follows in an article in *Time Magazine* (2 February 1998):

While globalisation has raised living standards for many, it has made life more difficult for those dislocated by change and it threatens to leave part of the world behind. The *foremost* challenge of globalisation is to ensure that its fruits extend to all countries. The *second* challenge of globalisation is to allay the fear that the growth it brings is *inherently* destabilising. The *third* challenge of globalisation is to address the concern in wealthier

nations that international competition will harm [their] living standards. The *fourth* challenge of globalisation is to tackle the problems complicated by expanded trade and investment - environmental degradation, disease, migration, crime and terrorism. Our ability to confront this set of new, post-Cold War challenges will require greater *global co-operation*. The challenges raised by globalisation yield no easy answers. *They strain the abilities of national governments to confront them directly*. Collective consideration, in the form of [a global economic] summit and some ongoing consultative process, will be a crucial confidence-building effort.

Sutherland's plea for a "global economic summit" at which the participating governments must decide on *joint* action in the global economy is significant. What it amounts to is a plea for joint *government intervention* in the world-wide "free market". But it presupposes a "world government" of sorts. What Sutherland and others do not appreciate is that the *power relations* in global capitalism needs to be *restructured* - either voluntarily or otherwise it is going to happen through a global crisis!

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