2 The global corporate web

"Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations… are swept away, all new-formed ones become antiquated before they can ossify."
Communist Manifesto, Karl Marx and Frederick Engels, 1848

Corporate-driven, capitalist globalisation has in a relatively short time transformed the world we live in. In 30 years, this form of globalisation has had an immense impact on work, social and cultural life, the Earth's eco-systems, politics and the state. Alienation of individuals from themselves and each other is much deeper than before. What dominates our world is a globalised capitalist system whose actions carry far-reaching and increasingly unpredictable consequences.

Globalisation is not a new phenomenon. The formation of systems of interaction between the global and local has been a central driving force in world history. Seven centuries before Christ, the ancient Greeks built a civilisation that they extended to other parts of Europe and Asia. The Roman Empire was even more far flung and had a concept of citizenship that stretched over regions and continents. In the 1st century, Buddhism made its first appearance in China and cultural links were consolidated with India – alongside the foundation of the Silk Road trading route.

By 1350, networks of trade which involved frequent movements of people, animals, goods and money ran from England to China, through France and Italy and across the Mediterranean. A more intense period of economic and cultural globalisation began in the 15th century, with the discovery of new continents and the beginnings of a more extended international market. Technological progress within the old feudal order helped create an explosion of wealth, new industries, exploration and commercialisation during that period. The productivity of Italian weavers doubled and then tripled while the output of printers rose fourfold during the Renaissance. Between 1350 and 1550, English iron production rose seven or eightfold. Many of the advances came in shipping and trade.

Before Columbus discovered the New World in 1492, the crew-to-cargo ratio was one sailor for every five or six tons. The Dutch achieved a ratio of one man per ten tons by the end of the Renaissance. The Northern Italian city-states made dramatic improvements in shipbuilding technology. Using assembly lines and interchangeable parts, they could build large ships in a matter of days.

With the defeat of the Spanish Armada in 1588, England became the supreme maritime power and with the subsequent defeat of the Dutch, was in a position to protect her merchant trade. The resulting growth in international trade meant that in the 17th century the London-based East India Trading Company already operated on a transnational scale. Founded in 1600, with a charter from Queen Elizabeth I, the company created a base in Madras in 1640 and had expanded to Bombay by 1662. It was to become so powerful that in the mid-19th century the British state took the company over and, in doing so, acquired India as a colonial possession.

A contemporary process in England produced the first poor laws. Introduced in 1597, they were needed because a class of destitute, landless labourers had emerged in the countryside. Powerful landlords had discovered that the international wool trade was more profitable than small-scale arable farming. They ousted tenant farmers and began a process that would end with the enclosure of most common land and the eventual creation of a new social group – the property-less working class. Parliament's victory in the English Revolution of 1642-51, led by Oliver Cromwell, swept away the old feudal order based on the state power of the absolute monarch. The subsequent installation of what became a constitutional monarchy tailored the state to support the explosion in trade and commerce that followed. Parliament and a new state power now dominated politics.

The brutal exploitation of India and other colonies and the ill-gotten wealth from the slave trade all contributed to the accumulation by the British ruling class of the capital required to open a new chapter in history – capitalism. Marx, in *Capital*, describes in vivid words how this happened:

> In England at the end of the 17th century, they [moments of primitive accumulation] arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system. These methods depend in part on brute force, *e.g.,* the colonial system. But, they all employ the power of the state, the concentrated and organised force of society, to hasten, hot-house fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition.

The invention of steam power and other revolutionary technology spurred on the rapid emergence of a new system of production and social relations. Factory production and the systematic extraction of minerals soon dominated an often rural landscape where none of these activities had existed before. A mass migration to the towns took place as a landless and hungry rural population sought work. Unregulated and free from state interference, the new capitalist class in Britain and elsewhere were, within decades, to change the face of the planet. It was truly an historic, revolutionary transformation.

The new working class struggled to find its identity. Trade unions were banned during the Napoleonic wars which began soon after the French Revolution of 1789. In 1834, six farm workers from Tolpuddle in Dorset were convicted under the 1797 Mutiny Act for taking an oath when they formed a union and were deported to Australia. Parliamentary democracy as a system of political representation did not yet exist. Despite the first Reform Act of 1832, only small sections of middle class men in Britain had the vote. In 1837, the Chartist movement published its six demands, including the right to universal suffrage. The following year, a petition with 1,250,000 names was rejected by a corrupt parliament, many of whose members literally bought their seats. One wing of the Chartists also believed that, once granted the vote, they would put an end to capitalism, using force if necessary. In 1848, as Marx and Engels drafted their famous manifesto, the Chartists obtained no fewer than five million signatures, while revolutions raged throughout Europe against remnants of the old feudal order.

Although the earliest stages of industrialisation were confined to products manufactured, finished and sold within national economies, the combined pressures to enlarge production, specialise activities and seek markets quickly outgrew local conditions. Larger domestic firms soon faced the choice of whether to compete internationally by extending production activities abroad or to export from their domestic base. International trade by nationally-based firms protected by powerful states soared throughout the 19th century.

Modern globalisation

The forces that shape our lives in the 21st century remain capitalist in their nature. Yet they are vastly different in their form and character. A rapid acceleration of the globalisation process that Marx first analysed has taken place. Out of it has come a group of powerful transnational corporations (TNCs) and a global financial system, endorsed by compliant states and the ideology of free market capital.

This new form of globalisation began to take shape following the break-down in 1971 of the post-war monetary and trade agreements reached at Bretton Woods in the United States in 1944. These agreements regulated and restricted movements of capital from one country to another. There were tight agreements on trade and tariffs, aimed at protecting domestic markets. All the major currencies were valued against the dollar – which itself was tied to gold – in a system of fixed exchange rates. But the system came under strain as international trade developed and separate markets in the dollar emerged in Europe. The strain of financing the war in Vietnam finally undermined the dollar and it was decoupled from gold, allowing currencies to float free.

The end of Bretton Woods precipitated economic chaos and resulted in major class conflicts in Europe and the United States. In Britain, these struggles culminated in the great miners' strike of 1984-85. The Tory governments of Thatcher and the Reagan administrations in the United States were the face of a new form of capitalism, which shunned compromise and consensus. They began the process of "liberalisation" and deregulation of capitalism from its Bretton Woods restrictions. The World Bank and the International Monetary Fund, set up at Bretton Woods, took on new roles and began to promote globalisation. Capital was given the freedom to move across borders and trade barriers were removed. Soon, globalisation was given a tremendous impetus by the revolution in micro-chip based information and communications technologies

Today, the forces unleashed 30 years ago have an unprecendented impact on the way we eat, think, and act. There are now few areas of public or private life that elude global capitalism. Corporations have even turned the very essence of life itself into areas for profit making. The human DNA map is subject to patents, as are seeds and basic products like rice. Public services are increasingly run along commercial lines or are privatised, while sport and culture is overrun by big business. While many parts of the world are without fresh drinking water, the World Bank insists that loans to poor countries are tied to privatisation of this natural resource.

The ideology of the free market – deregulation, privatisation, the dismantling of the welfare state and the withdrawal of the state from any significant public provision – has captivated and captured governments around the world. It is presented as the only way to organise society, as inevitable and natural. The Clinton and Bush governments in the US and the Blair governments in Britain all proved enthusiastic supporters of this manifesto of globalised capital. Their governments have acted as the senior management team on behalf of corporate interests, both national and international.

In *When Corporations Rule the World,* David Korten explains how the forces of modern globalisation are advanced by an alliance between the world's largest corporations and most powerful governments, writing:

> This alliance is backed by the power of money, and its defining project is to integrate the world's national economies into a single, borderless global economy in which the world's mega-corporations are free to move goods and money anywhere in the world that affords an opportunity for profit, without governmental interference. In the name of increased efficiency the alliance seeks to privatise public services and assets and strengthen safeguards for investors and private property.

In his ground-breaking book *The Transnational Capitalist Class*, Leslie Sklair notes:

> The truly fundamental change that capitalist globalisation has introduced… is that, for the first time in human history, there is indeed a material and ideological shift towards selling business as such as the only real business of the planet and its inhabitants. So, in the global capitalist system, agents and agencies of the state (among other institutions) fulfil the role of facilitators of the global capitalist project.

Today, 50 of the top 100 economies in the world are in fact TNCs. The revenues of Wal-Mart, the world's largest supermarket chain, are bigger than those of 161 countries. Mitsubishi, the Japan-based corporation, is larger in economic activity than the fourth most populous nation on earth, Indonesia. General Motors is bigger than Denmark. Ford's activity is larger in dollar terms than South Africa's. Toyota is greater than Norway. Cigarette manufacturer Philip Morris is larger than New Zealand, and it operates in 170 countries.

Today, the top 200 firms have sales that are the equivalent of

Key ingredients of capitalist globalisation

- trade and corporate deregulation
- the unrestricted movement of capital
- international, unregulated financial markets
- privatisation of public services
- commodification of new areas such as genetic resources and human DNA
- developed forms of property rights such as intellectual property
- integration of national economies into a global system
- promotion of hyper-growth and unrestricted consumption
- increased corporate concentration through global firms
- erosion of traditional powers and policies of nation states
- global cultural homogenisation.

almost 30% of the world's gross domestic product (GDP), which is a way of measuring income generated by economic activity. The vast majority (186) of the top 200 have headquarters in just seven countries: Japan, the United States, Germany, France, the United Kingdom, the Netherlands, and Switzerland. South Korea and Brazil are the only developing countries to break into the top group. Half of the total sales of the top 200 are in trading, cars, banking, retailing and electronics. Sklair explains:

> Globalisation… means transnational practices in which corporate agencies and actors (principally TNC executives and their local affiliates) strive to maximise private profits globally for those who own and control the corporations. TNCs seek profits without special reference to the interests (real or imagined) of their countries of citizenship. The transnational capitalist class mobilises the resources necessary to accomplish this objective, working through a variety of social institutions, including state and quasi-state agencies, the professions and the mass media. The culture-ideology of consumerism is the rationale of the system.

The concentrated economic power in these and other sectors is enormous. In cars, the top five firms account for almost 60% of global sales. In electronics, the top five firms have garnered over half of global sales. And the top five firms have over 30% of global sales in airlines, aerospace, steel, oil, personal computers, chemicals, and the media. The top ten drug corporations have an estimated 53% of the market while ten firms – including Dupont, Monsanto and Syngenta – control 80% of the global pesticide market.

As global corporations have developed, the nature of their ownership has evolved. At the dawn of capitalism, firms were owned by individuals or families. By the mid-19th century, the joint stock company was developed that allowed firms to raise capital by selling shares, which then traded on the stock market. Where once these shares were owned mainly by individuals, under corporate-led globalisation, their control has passed into the hands of "institutions", as figures from the Office for National Statistics reveal.

In 1963, individuals owned 54% of all the shares traded in London. But by the end of 2003, the total owned by individuals had plummeted to just 14.9%. During the same period, the proportion of shares in the hands of insurance companies and pension funds trebled – from just over 16% to more than 48%. These shares are, of course, purchased with the funds paid in the form of insurance premiums and pension contributions. In that sense, we together "own" almost a half of capitalist corporations operating in Britain, whose estimated total stock market value in 2003 was £1,368 billion.

Another significant development arising from globalisation is the overseas ownership of corporations. In Britain, during the 1980s, the proportion of shares owned by rest of the world investors increased substantially, from 3.6% in 1981 to around 13% during the period 1989 to 1992. By 1999, rest of the world holdings had reached 29.3% and more than 32% by 2003, of which 36% were held by European funds. This broadening of ownership is also reflected in the way that shares in the major corporations are traded on stock markets around the world, where before they were restricted to their country of origin.

Just in time… for some

Companies plan and organise the conception, production and distribution of products and services not only regionally but globally. A relatively small number of TNCs contract with an estimated 850,000 associated firms to create global production systems. They co-ordinate supply chains which link firms across countries, including local sub-contractors who outsource to home workers. The TNCs are now estimated to account for two-thirds of world trade while intra-firm trade between the corporations and their affiliates accounts for about one-third of world exports. Many major TNCs, such as IBM, Microsoft, Mitsubishi, Samsung, Nestle, ICI, Unilever and Dow Chemicals, regularly earn more than half of their revenues outside their country of origin, according to the International Labour Organisation's (ILO) 2004 study of globalisation.

The growth of these global production systems is most pronounced in the high-tech industries (electronics and semi-conductors) and in labour intensive consumer goods (textiles, garments and footwear). It is also becoming significant in the service sector where technological advances have made it possible for services such as software development, financial services and call centres to be supplied from different countries around the globe. In the labour-intensive consumer industries the TNCs design the product, specify the product quality, and then outsource its production to local firms in developing countries. They also exercise control over the quality and timing of production, which is often subjected to changes in design and volume. The driving force is the flexible and timely adjustment to changes in consumer demand with minimal inventory costs. It is a global just-in-time production system. The corporations switch production and service industries around the globe in search of the cheapest labour, moving across borders without political interference. The dramatic fall in the cost of moving information, people, goods and capital across the globe has accelerated these changes.

New parts of the globe have fallen into the globalisation honey-trap, including China and countries of the former Soviet Union. The economic forces set in motion in the 1970s transcended borders and played a significant role in the demise of the Stalinist states of Eastern Europe, while in China a capitalist class has grown rapidly out of the industrialisation of the country. Whole areas of southern China, for example, have become industrialised and commercialised inside a decade. Today they have factories employing 100,000 workers, making everything from most of the world's fridges to the inevitable trainers for the sportswear firms.

This new international division of labour means that, throughout the world as a whole, there are millions more workers involved in production and administration, as well as retail and service industries. In China alone, the number of workers in factories has risen by 100 million in a decade, while an equal number are thought to be without work. The total world workforce has soared from 1.6 billion to 3.5 billion in 30 years. The migration from countryside to town seen in Britain at the beginning of the industrial revolution is repeating itself in Asia and South America. Millions of manufacturing jobs disappear in the United States and Europe, only to reappear in Mexico or in Asia. Dr Marten's work shoes were until recently produced in Northampton. The factory was shut and now they are being made in South China where the workers are paid 20 cents an hour. That is a lot cheaper than making the shoes in Northampton, even taking into account the additional transport costs.

A report by Oxfam showed how globalisation has drawn millions of women into paid employment across the developing world, producing goods for supermarkets and clothing stores in Britain and elsewhere, while working under appalling conditions. "Commonly hired on short-term contracts – or with no contract at all – women are working at high speed for low wages in unhealthy conditions. They are forced to put in long hours to earn enough to get by. Most have no sick leave or maternity leave, few are enrolled in health or unemployment schemes, and fewer still have savings for the future. Instead of supporting long-term development, trade is reinforcing insecurity and vulnerability for millions of women workers," says the report.

Oxfam's research revealed how retailers and clothing brands are using their power in supply chains systematically to push many costs and risks of business on to producers, who in turn pass them on to working women:

- in Chile, 75% of women in the agricultural sector are hired on temporary contracts picking fruit, and put in more than 60 hours a week during the season. But one in three still earns below the minimum wage
- fewer than half of the women employed in Bangladesh's textile and garment export sector have a contract, and the vast majority get no maternity or health coverage – but 80% fear dismissal if they complain
- in China's Guangdong province, one of the world's fastest growing industrial areas, young women face 150 hours of overtime each month in the garment factories – but 60% have no written contract and 90% have no access to social insurance.

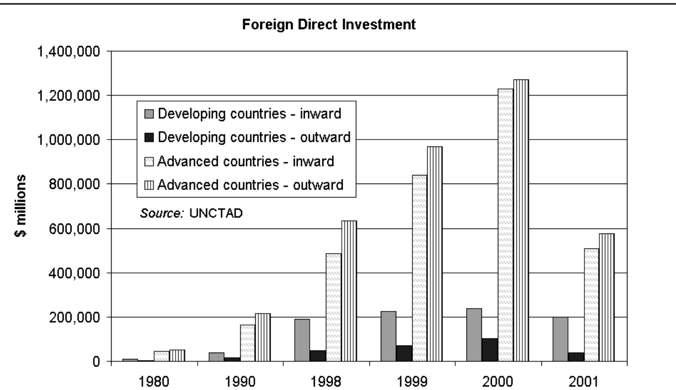
"The impacts are felt by workers in both rich and poor countries. Women and migrants from poor communities in rich countries – such as US and Canadian agricultural workers and UK and Australian home-based workers – likewise face precarious terms of employment in trade-competing sectors. The pressure of

Lloyds under fire as jobs go to India
Friday 31 October 2003
The Guardian
Lloyds TSB was threatened with industrial action yesterday when it announced that almost 1,000 jobs in the UK would be outsourced to India. The bank said that it would close its call centre in Newcastle, which employs 986 people, and sub-contract the jobs to its new centre in Hyderabad.
Newcastle has one of the highest rates of unemployment in the country, but Lloyds TSB said it was difficult to recruit and retain staff in the city. The bank shut a call centre in Gateshead earlier this year. Financial services trade union UNIFI is considering industrial action. "The indication from members is that they want to take a stand. If that's still the feeling at the beginning of next week then we will put that in place for them," said a spokesperson.

competition from low-cost imports is clearly one reason, but so too is the pressure inherent in being employed at the end of a major company's global supply chain, whether it is sourcing overseas or domestically," Oxfam notes.

Call centres were supposed to be the new job opportunities of the 21st century in depressed areas of Britain like Glasgow and the North-East. Many of these are now being relocated to India, for example, where labour costs are much lower. Call centre staff in far away places watch *East Enders* and follow David Beckham's career so that they can appear to be local and chat with people. So when you get on the telephone to ask about your gas bill they know what the weather is like in London.

The scale of this transformation into a truly global economy can be charted through the movement of capital from one country to another. This process is known as foreign direct investment (FDI). As the graph shows, there was a sensational



A new whole

These changes in trade, FDI (foreign direct investment), financial flows and technological diffusion are increasingly part of a new systemic whole. An underlying common factor is that all these elements necessarily evolved in the context of increasing influence of global market forces. This is a profound change, affecting the role of the state and the behaviour of economic agents.

A fairer globalisation: creating opportunities for all. ILO 2004 increase over the last 20 years of the 20th century, rising from $55 billion worldwide to $1,500 billion in 2000 until the financial crisis of 2001 took its toll. New economies emerged in Asia as a result of this large-scale investment in parts of the world where labour was bountiful and cheaper than in Europe and North America.

The WTO and its allies

The power of the corporations is expressed and delivered through three global organisations: the World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF). Established in 1995, the WTO transformed the post-war General Agreement on Tariffs and Trade (GATT) into an enforceable global commerce code. The WTO is one of the main mechanisms of capitalist globalisation, using its status as a permanent institution with a huge secretariat. States have ceded enormous powers to the WTO. In fact, it is the only international body whose authority the United States accepts.

The WTO has functioned principally to open markets for the benefit of transnational corporations at the expense of national and local economies, workers, farmers, indigenous peoples, women and other social groups. It is responsible for administering dozens of international trade agreements and declarations on a range of issues from agriculture to intellectual property rights. The WTO also handles trade disputes, monitors national trade policies, and operates as the overarching forum for global trade negotiations, called "rounds". Operating out of Geneva, Switzerland, with an administrative staff of 500, the WTO enforces more than 20 separate international agreements, using international trade tribunals that adjudicate disputes. Although all countries appear equal under the WTO on paper, in reality, the major economies with economic and political power hold centre stage.

The WTO is constructed like no other international agency. Unlike the GATT, which was effectively a business contract between nations, the WTO has a legal personality and the power to enforce its rulings. The WTO has an international status equivalent to the United Nations, but unlike the UN, it carries the powers and tools to enforce its decisions. WTO rulings are so powerful, they take precedence over multilateral agreements such as the Convention on Biological Diversity, the UN's Universal Declaration of Human Rights, and international labour codes.

Under the WTO's dispute settlement mechanism, member countries, acting on behalf of their business sector, can challenge the laws, policies and programmes of any other country for being in violation of WTO rules. Panels of unelected experts have the power to adjudicate claims of alleged violations of these rules and to hand out punishments. The losing country has three choices: change its law to conform to the WTO ruling; face harsh, permanent economic sanctions; or pay permanent compensation to the winning country. The only task is to judge whether or not a country's policy is a "barrier to trade". The vast majority of WTO tribunal rulings have favoured the interests of corporations over objections by governments or social and environmental standards. Panel decisions can be appealed, but only a unanimous vote of all member nations can overturn a WTO ruling.

Although official WTO decisions are made by vote or by consensus of the 146-member General Council, real decision-making powers are now increasingly vested in what is known as "the QUAD" – the US, the European Union, Japan and Canada. The QUAD convenes several times a year, making key decisions on WTO priorities. These meetings take place behind closed doors without the participation of other countries, and although the QUAD is not formally structured as the WTO executive, it is by nature of its power, able to exercise executive powers.

Transnational corporations and their domestic and international associations have had a direct voice in shaping the entire structure of the WTO from the beginning. In the United States, more than 500 corporations and business representatives have official credentials as trade advisers. The US Trade Representative works closely with the Coalition of Service Industries. Their members include the major energy, insurance, and financial giants, as well as major pharmaceutical companies.

Your guide to what the WTO controls

- the General Agreement on Trade in Services (GATS) is the first multilateral, legally enforceable agreement on trade in services
- Trade Related Intellectual Property Rights (TRIPS) sets enforceable global rules on patents, copyrights, and trademark
- Trade Related Investment Measures (TRIMS) dictate what governments can and cannot do in regulating foreign investment
- the Agreement on the Application of Sanitary and Phytosanitary Standards (SPS) covers food safety, animal and plant health
- the Financial Services Agreement (FSA) was established to remove obstacles to the free movement of financial services corporations
- the Agreement on Agriculture (AOA) sets rules on the international food trade and restricts domestic agriculture policy
- the Agreement on Subsidies and Countervailing Measures (ASCM) sets limits on what governments may and may not subsidise
- the Agreement on Technical Barriers to Trade (TBT) was set up to limit national regulations that interfere with trade
- the Agreement on Government Procurement (AGP) sets limits on government purchasing.

In Japan, it is the industry lobby group, the Keidanren that liaises with the WTO. In Europe, the Commissioner of the European Union on WTO Policies and Administration maintains direct links with the European Round Table of Industrialists (ERT), which is composed of representatives of the 50 largest European-based corporations. The European Services Forum has lobbied forcefully to remove exemptions for public services from the GATS.

In fact, in a May 2002 letter to the CEOs of Europe's three largest water corporations – Vivendi, Suez and RWE/Thames – EU Director General of Trade, Ulrike Hauer, thanked them for their contribution in negotiations to reduce trade barriers in water services. As a senior WTO official told the *Financial Times*, the WTO "is the place where governments collude in private against their domestic pressure groups".

The ultimate goal of the GATS is to "progressively liberalise" until all public services are fully commercialised. Behind this drive to bring new areas of life into the capitalist orbit is the increasing volatility of financial markets and the over-capacity in traditional manufacturing, both of which limit the possibilities for profit-making. But the pickings from the newly liberalised areas are potentially very rich indeed. Global annual expenditures on education now exceed $2 trillion and on health care $3.5 trillion. Predatory and powerful transnational corporations who want to use the WTO/GATS process to dismantle domestic public systems have targeted public education, health care, welfare, and water services. No one is really sure what is in or out, which is part of the strategy. Planning regulations affecting the expansion of large retail outlets could be ruled an "unnecessary barrier to trade" and overly "burdensome" on business, for example.

In Britain, the New Labour government is supporting the extension of GATS and has given WTO lawyers carte-blanche in negotiations. Since the UK signed up to GATS in 1994 it has not produced a single document fully explaining either what the UK is committed to or the implications of its commitments. Educationalist and anti-GATS campaigner Glenn Rikowski, in a paper prepared for a House of Lords inquiry, pointed out that in the long run, no area of social life was exempt from these developments. He told the committee:

> The political management of the process is made easier by the fact that the GATS is opaque regarding whether public services are exempt from the Agreement's trade rules and sanctions, or not. If it were the case that the GATS was inapplicable to public services, and that services like health, education and libraries were exempt from the GATS imperatives, then it would be clear that commercialisation, privatisation and capitalisation of public services was a governmental choice and strategy. Hence, objections to these processes could be made on that basis. On the other hand, if it were the case that public services such as education were clearly included in the GATS then the programme for subjecting the whole of social life to take-over by corporate capital would be obvious.

> Thus, the complexity and unclarity of the GATS Agreement actually aids the translation of the GATS into national contexts. It allows governments to proceed under a cloak of obfuscation and uncertainty.

Behind the cloak of confusion the position is, however, well advanced in Britain. For example, the education business Nord Anglia is already exporting its services to Russia and the Ukraine as well as running schools and local education authority services in Britain. Many British universities have franchised operations and a whole raft of deals with other colleges and universities in other countries.

Speculating around the clock

The international financial system that has emerged over the last 30 years transcends the power of national banks and governments. Today's financial system is truly global in an unprecedented way and has a relative independence from, as well as dominance over, the real world of actual production and commodities. Where once locally-based commercial and national banks held sway, today a financial system operates as a series of inter-linked trading houses that operate electronically. They were first formed following the deregulation of finance, both domestically and internationally, that began in the 1970s and which was completed by the late 1980s. These markets now operate around the clock, as a result of the revolution in information technology. When London is sleeping, the markets in the Far East are open for business. The night shift in the City of London will be at their desks, on their phones and watching the screens.

The markets owe allegiance to no state. In London, the foreign exchange market is dominated by the Swiss-based UBS and Deutsche Bank, which have cornered 25% of the trading. Traders buy and sell currencies on screen, working on the narrowest of margins. They can make or break currencies in hours, as the financier George Soros proved during the sterling crisis of 1992 when he used his fund's resources to force the pound out of the European exchange rate mechanism.

Internationalisation of financial markets was also a strong feature of capitalism during the late 19th century, the system collapsing with the outbreak of World War I in 1914. Today the position is vastly changed, as Jan Annaert explains in an article on financial markets in *Globalisation and the Nation-State*:

> The present situation differs qualitatively from the one a century ago, in the sense that a larger part of the world and more independent countries are involved. Indeed, integration and globalisation is not only a characteristic of developed markets but also of emerging markets. Moreover, the *speed* with which capital flows can roam freely across the globe has increased spectacularly. [emphasis added]

National governments turn to the markets when they want to borrow money for a variety of reasons. The US government, for example, is the largest debtor nation in the world, running enormous trade deficits as well as a government budget where the gap between revenue and expenditure is colossal. So Washington has to go to the financial market to borrow the funds to cover these deficits. Corporations too borrow on the international financial market to finance their expansion plans. The sums involved are enormous. For example, the mobile phone operators in Britain borrowed £20 billion to buy the licences for a new generation of mobile communications. Similar sums were borrowed by corporations on the Continent. Repayment costs have, in turn, eaten into their profits and forced up prices for third generation mobile calls.

The quantity of funds available on these markets is astronomical. Between 1963 and 1995 total funds raised on international markets increased at an average annual growth rate of 24.3% compared to a 5.5% for world trade and 3.2% for world production. There is a huge market in cross-border transactions in bonds and shares, along with international share issues that result from large-scale privatisation as well as international mergers and acquisitions operations. The Bank for International Settlements (BIS) has reported that what it calls "notional amounts outstanding" in all categories of market risk (including equity, commodity, credit and "other" derivatives) stood at a staggering $100,000 billion, a 38% increase between 1998 and 2001. One estimate is that for every US dollar circulating in the real economy, $25 to $30 circulates in the world of pure finance.

This is entirely fictitious capital in the sense that it is the result of money/credit generating more paper money/credit through speculation or interest. There is no wealth creation involved where human labour has added value to help create something useful. These funds then accumulate and have a life of their own. Their need to earn a return gives the entire system its restlessness and inherent instability.

Speculation on foreign exchange

In 1986, the average daily turnover on the foreign exchange markets was around $188 billion. Today around $1,200 billion are exchanged daily, according to the BIS. Only 5% of the total are directly related to payments for traded goods and services. The remainder is devoted to sheer speculation, as traders work the thinnest of margins, with real-time pricing. As the *Financial Times* reported on 7 May 2004: "The global foreign exchange market represents capitalism red in tooth and claw. This largely self-regulated trading system never sleeps and routinely transfers staggeringly vast sums of money around the world in seconds at the click of a mouse."

Finance companies hired scientists and brilliant mathematicians in the 1990s to invent a bewildering array of devices intended to generate earnings. We entered the obscure world of derivatives, swaptions, junk bonds and other exotic forms. Entire banks and corporations live this way. Some like Enron have disappeared, engulfed in financial infernos. As Annaert notes: "Trading of complex financial instruments has increased the linkages between different market segments and participants without regard to national boundaries. Disruptions in one key market are therefore likely to be transmitted quickly to other markets, threatening the stability of the world financial system."

Unstable at the core, the financial system can and does disrupt whole sections of the global economy. In 1997 enormous sums were withdrawn overnight from East Asia, plunging local economies into disaster, destroying jobs and savings. More than 22 million people in Indonesia were driven below the poverty line within a few months. Russia also suffered a financial Armageddon in 1998 and its people are still paying the price. In 2001 Argentina had to separate its currency from the dollar after a precipitate flight of capital. The economy fell apart and a major political crisis erupted. The dot.com bubble – which was heralded as new form of wealth you could conjure up as if by magic by borrowing loads of money and not making a profit – burst, sending stock markets crashing.

The collapse in late 2001 of Enron Corp, the American energy trading company, and the shredding of documents by auditors Arthur Andersen, exposed a world of make-believe where debt was marked down as revenue. In less than a year, Enron went from what many regarded as an innovative corporation to a byword for corruption and mismanagement. At the heart of the crisis was debt.

In its first few years, Enron was simply a natural gas provider, but by 1989 it had begun trading natural gas commodities, and in 1994 it started trading electricity.

Enron tailored electricity and natural gas contracts to reflect the cost of delivery to a specific destination – creating for the first time, a nation-wide and ultimately global energy-trading network. The company claimed a 57% increase in sales between 1996 and 2000.

Much of Enron's balance sheet, however, did not make sense to analysts. By the late 1990s, Enron had begun shuffling its debt obligations into offshore partnerships. At the same time, the company was reporting inaccurate trading revenues. It was using its partnerships to sell contracts back and forth to itself and entering revenue each time. Enron put ordinary creative accounting in the shade!

As rumours abounded, the US Securities and Exchange Commission began an inquiry into Enron and the partnerships. Enron then revised its financial statements for the previous five years, acknowledging that instead of making profits, it had

Failure of foreign investment

In the wake of the debt and development crisis of the 1980s, a new policy approach looked to liberate enterprise from state intervention, deferring to the invisible touch of global market forces. The promise was for an end to macroeconomic chaos, stop-go development cycles and debilitating levels of debt, ushering in an era of sustained growth and poverty reduction. The collapse of the Berlin Wall gave this agenda global reach. The agenda was embraced with particular enthusiasm in Latin America… the floodgates opened to foreign capital in the 1990s. The green light from international capital markets encouraged a quickening pace of reform, attracting foreign investment and making international competition the engine of renewed growth. But after some initial signs of success, familiar structural constraints have resurfaced. Most countries have failed to accelerate capital formation and technological progress, and diversify into more dynamic sectors. As spending outpaced the expansion of productive capacity and imports boomed, the growing reliance on external capital left many countries exposed to external policy shocks. Over the past five years, as global economic imbalances have generated such shocks with increasing frequency, Latin America has endured a lost half decade, recalling the disappointing developments of the 1980s…The region received virtually no net inflows of private capital in 2002… it has had to combine a fall in output with a trade surplus and net transfers abroad, generated entirely by cuts in imports.

Trade and Development Review 2003, UNCTAD

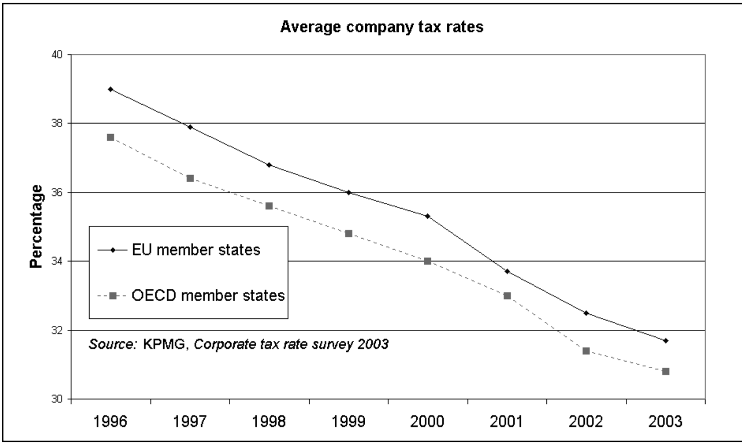
actually sustained $586 million in losses. Its stock value began melt down and fell below $1 per share by the end of November 2001. The corporation then collapsed, leaving its workforce without pensions as they had been persuaded to buy Enron shares with their contributions. In under a year, six of the 10 largest corporate bankruptcies in US history were recorded. Widespread accounting irregularities were reported, and Arthur Andersen, one of the Big Five accounting firms, went out of business after its criminal conviction on obstruction of justice charges regarding the Enron investigation.

The growth of inequality

A key feature of capitalist-driven globalisation is rising inequality between rich and poor countries, a polarisation within the major capitalist countries themselves and the ruthless exploitation of workers in poorer countries. Put simply, the richer have got richer and the poorer a lot poorer. In 1990, in Britain, the wealthiest 10% owned 64% of what is known as marketable wealth; by the turn of the century that had risen to 72%, according to Office for National Statistics (ONS). The ratio of the 10% highest paid over the 10% lowest paid rose by more than 35% between the mid-1980s and the mid-1990s. Even more striking has been the sharp increase in the share of the top 1% of income earners in the United States. The share of this group reached 17% of gross income in 2000, a level last seen in the 1920s.

Meanwhile, in the world's 30 richest countries the average level of corporate tax fell from 37.6% in 1996 to 30.8% in 2003. Tax incentives to attract investment contributed to this lowering of tax rates. A similar phenomenon can be seen in the taxation of high-income earners. Between 1986 and 1998, the top marginal tax rate on personal income declined in the vast majority of countries, both high and low-income, often substantially, according to the ILO.

At the same time, executive salaries have soared into the stratosphere. Citigroup, the US finance giant, disclosed that its top three executives earned a combined $102m (£56m) in 2003. Chairman Sanford Weill, who stepped down as chief executive of the world's largest financial services group, was paid $44.7m, almost five times as much as he took home in 2002. His compensation included a $29m bonus, $1m in salary and option grants worth $14m. Even when things go wrong, the money keeps rolling in. In Britain, Mytravel paid £4.5m compensation to five directors in 2003, despite racking up £911m losses and seeing its share price shrink to under 20p from a high of 544p. Departure is made much easier by big pay-offs, like the £10m BskyB chief executive Tony Ball received when he left the



corporation. Jean-Pierre Garnier, the chief executive of GlaxoSmithKline was paid £7m in 2003, even though GSK shares had fallen, along with its profits, since he took over in 2000. Meanwhile, William F Aldinger III, the chief operating officer of Household International, a new US offshoot of HSBC, was enticed with a £37m pay package over three years, including a guaranteed annual bonus of £2.5m.

Meanwhile, migrant labour is smuggled into Britain to work in the most appalling conditions as firms try to compete on the world market by paying starvation wages. The drowning of 23 Chinese cockle pickers at Morecambe Bay in February 2004 was a tragic expression in Britain of what is happening throughout the capitalist world. The cockle pickers were paying most of their meagre wage to gangmasters and criminals and working round the clock to supply the kitchens of the rich. In Norfolk, it was reported that gang workers were paid just £3 to cut 1,000 daffodils. In Cambridgeshire, workers were forced to live in partitioned containers with no water supply and were deducted £80 a week rent for the privilege.

The World Bank and International Monetary Fund (IMF) were created at the Bretton Woods meetings in 1944. The Bank was set up to help rebuild war-torn Europe. As globalisation accelerated, it turned its focus to the "underdeveloped" world to bring poor countries into the international economy. The IMF

Share bonanza for Sainsburys
Richard Wachman and Sarah Ryle
28 March 2004
The Observer

Lord Sainsbury, the Science Minister, is to collect a special dividend worth £88 million from J Sainsbury, the embattled supermarket chain, following the sale of the company's US business for more than £1 billion.

The company is returning cash from the deal to shareholders, which means a large payment to Lord Sainsbury, who has a 13% stake. Through various trusts, the family as a whole owns 38% of J Sainsbury, which means it collects £258m from the sale.

The company shocked the City on Friday with a profits warning, which cast a shadow over news of the sale of the US operations.

The shares slumped 7% to 260p despite renewed talk of a bid for J Sainsbury by Philip Green, the retail entrepreneur.

The disclosure of the special dividend has raised eyebrows in the City, where there are suspicions that the family is keen to take money out of the business prior to a winding down of its holdings and a possible sale of the group. This, however, is denied by a source close to the Sainsbury family.

was to help stabilise currency exchange rates between nations. It too changed its role. By 1997 it had amended its constitution to ban borrowers from imposing capital controls and imposed restructuring, which meant opening up to foreign capital and free trade, as a condition of loans. These were euphemistically called Structural Adjustment Programmes (SAPs).

In 2002, the Structural Adjustment Participatory Review International Network (SAPRIN), published a report based on years of research and interviews with thousands of organisations. It concluded that:

- precipitate and indiscriminate trade and financial sector liberalisation, and the weakening of state support and the demand for local goods and services, have devastated local industries and created widespread unemployment

Rich world, poor world

- some 54 countries are poorer now than in 1990
- in 21 countries a larger proportion of people are going hungry
- in 14 countries more children are dying before age five
- in 12 countries primary school enrolment rates have fallen
- the richest 5% of the world's people receive 114 times the income of the poorest 5%
- the richest 1% receive as much as the poorest 57%
- the 25 million richest Americans have as much income as almost 2 billion of the world's poorest people.

Human Development Report 2003, United Nations

- structural changes in agricultural and mining sectors have undermined the viability of small firms, weakened food security and damaged the natural environment
- cheap food imports, the removal of subsidies from farm inputs, and the withdrawal of state financial and technical support, have further marginalised small farmers and forced them to overexploit natural resources
- "labour-market reforms" have worsened the position of workers. Employment levels have dropped, jobs have become more precarious, real wages have fallen and trade union rights eroded or weakened
- privatisation of public services and charges for health care and education, and cuts in social spending have reduced the poor's access to affordable services and resulted in rising school drop-out rates
- the increased impoverishment from SAPs has fallen hardest on women, who were most vulnerable to lay-offs
- many of the promised gains in efficiency, competitiveness, savings and revenues from SAPs have failed to materialise.

The IMF and World Bank have been empowered by the governments which control them (led by the US, Britain, Japan, Germany, France, Canada, and Italy – the Group of 7, which holds over 40% of the votes on their boards) to impose these free-market/austerity policies on developing countries. Once poorer countries build up large external debts, as most have, they cannot get credit or cash anywhere else and are forced to go to these international institutions and accept whatever conditions are demanded of them.

None of the countries has emerged from their debt problems. Indeed most countries now have much higher levels of debt than when they first accepted IMF/World Bank "assistance". The World Bank is best known for financing big projects like dams, roads, and power plants, supposedly designed to assist in economic development, but which have often been associated with monumental environmental devastation and social dislocation. Only big corporations who win the construction contracts benefit. In recent years, about half of its lending has gone to programmes indistinguishable from the IMF's.

Free-market globalisation is trumpeted as the best way poorer countries can share in wealth. This is the theme, for example, of New Labour's White Paper on international development 2000. In a foreword, prime minister Blair claims that: "Globalisation creates unprecedented new opportunities and risks. If the poorest countries can be drawn into the global economy and get increasing access to modern knowledge and technology, it could lead to a rapid reduction in global poverty – as well as bringing new trade and investment opportunities for all. But if this is not done, the poorest countries will become more marginalised, and suffering and division will grow. And we will all be affected by the consequences."

The fact is, however, that far from improving the lives of most people, globalisation led by the TNCs has made them poorer and more likely to die younger. Even the World Bank in its development report 2001-2002 has to acknowledge these trends. In 1960 per capita gross domestic product in the richest 20 countries was 18 times that in the poorest 20 countries. By 1995 this gap had widened to 37 times. Such figures indicate that income inequality between countries has increased sharply over the past 40 years. "More than 1 billion people in low and middle-income countries lack access to safe water, and 2 billion lack adequate sanitation, subjecting them to avoidable disease and premature death," the report admits.

Making profit out of water

The World Bank has offered an interest-free loan of $150m to re-equip the state-run Ghana Water Company and hire new management. Under the plans, new management would operate, maintain and sell the water under a 10-year contract in what would be an obscene form of so-called public-private partnerships.

Water supply in Ghana's cities and regional capitals has worsened over the past two decades. But campaigners say this is due to poor management and lack of investment in infrastructure. Most homes in urban cities have water tanks to store water because the taps run only for a few hours for two or three days a week.

And in parts of Accra, such as Teshie-Nungua, Madina and Adenta – sprawling residential areas in the south-east and north-east – residents pay anywhere between 500 cedis and 1,000 cedis (5-10 cents) per bucket of four gallons from private suppliers. The official Ghana Water rate is 64 cedis.

"You can't privatise something as close to air as water, and allow market forces and profit motives to determine who can and who cannot have some to drink," says Ameng Etego, spokesman for the Campaign Against Water Privatisation. The CAPW has mobilised the trade union movement and other organisations to halt the sell-off plans.

Meanwhile, in South Africa white farmers consume 60% of the country's water supplies through large-scale irrigation while 15 million black people are denied access to clean water. Privatisation has led to sharp increases in water rates and people in the poor townships have been cut off because they cannot pay the rates.

Today there is a global industry that specialises in the privatisation of water services. Two major French-based corporations – Vivendi and Suez – have control of 70% of the existing world water service market.

The major corporation Bechtel moved in on Bolivia when the World Bank refused to renew a $25 million loan unless water services were privatised. After water was privatised in Cochambamba, escalating protests led to a general strike and Bechtel packed its bags, only to sue the Bolivian government for $25 million.

www.socialistfuture.org.uk

In a world in which a few enjoy unimaginable wealth, 200 million children under age five are underweight because of a lack of food. Some 14 million children die each year from hunger-related disease. 100 million children are living or working on the streets. Three hundred thousand children were conscripted as soldiers during the 1990s, and six million were injured in armed conflicts. Eight hundred million people go to bed hungry each night, according to the United Nations.

The 1990s also saw declining development assistance from rich countries, increasing debt burdens in poor countries and falls in the prices of primary commodities – which many poor countries depend on for the bulk of their export revenues. Globalisation further plunged Africa into the prison of poverty. Africa has seen its share of the global wealth decline by more than 40% since the process of globalisation took hold.

The United Nations Conference on Trade and Development (UNCTAD) report for 2002 says that statistics showing a considerable expansion of technology-intensive, high value-added exports from developing countries are misleading. Such products indeed appear to be exported by developing countries, but in reality those countries are often involved in the low-skill assembly stages of international production chains organised by transnational corporations. The report adds: "Most of the technology and skills are embodied in imported parts and components, and much of the value added accrues to producers in more advanced countries where these parts and components are produced, and to the TNCs which organise such production networks."

Over the last 20 years, manufacturing has declined in the US and Europe. But they have actually increased their share in world manufacturing value added over this period. Developing countries, by contrast, have achieved a steeply rising ratio of manufactured exports to GDP, but without a significant upward trend in the ratio of manufacturing value added to GDP. The report concludes: "Certainly, few of the countries which pursued rapid liberalisation of trade and investment and experienced a rapid growth in manufacturing exports over the past two decades achieved a significant increase in their shares in world manufacturing income." Thus, most developing countries are still exporting resources – and labour-intensive products, effectively relying on their supplies of cheap, low-skilled, labour to compete.

While the United Nations can attack globalisation for failing to halt mass poverty in the world's poorest nations, the fact is that the UN is in bed with the same TNCs that drive the system on. In a 2002 report, the US-based Corporate Watch exposed the nature of the "global compact" that the UN has with big business. The brainchild of UN secretary-general Kofi Annan, the compact is the smuggling of a business agenda into the organisation, the report claims. In return for a loose commitment to a set of principles, corporations are allowed to use the UN logo and participate in compact activities to boost their claim to act as "socially responsible" organisations. CorpWatch says that what it calls "notorious violators" of the principles are allowed to participate in activities. It cites the opportunity for Nike's Phil Knight to be photographed with Annan in front of the UN flag, "without any substantial effort by the company to adhere to Global Compact principles".

In 2002, the Alliance for a Corporate-Free UN, a global network of human rights, environmental and development groups, wrote to Annan to ask him to reconsider the Global

Poverty kills

- every year more than 10 million children die of preventable illnesses – 30,000 a day
- more than 500,000 women a year die in pregnancy and childbirth, with such deaths 100 times more likely in Sub-Saharan Africa than in high-income OECD countries
- around the world 42 million people are living with HIV/AIDS, 39 million of them in developing countries
- tuberculosis remains (along with AIDS) the leading infectious killer of adults, causing up to 2 million deaths a year
- malaria deaths, now 1 million a year, could double in the next 20 years.

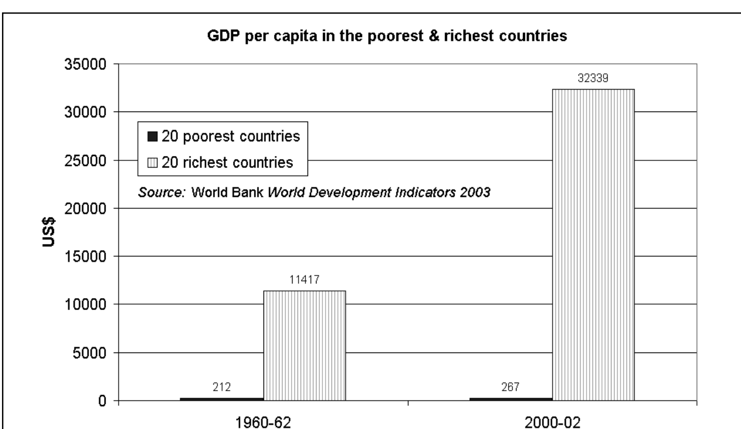
Human Development Report 2003, United Nations

Compact, telling him that the partnership and the guidelines for co-operation "allow business entities with poor records to 'bluewash' their image by wrapping themselves in the flag of the United Nations. They favour corporate-driven globalisation rather than the environment, human health, local communities, workers, farmers, women and the poor". The UN has dismissed these objections.

The world has deep poverty amid plenty. Of the world's 6 billion people, 2.8 billion—almost half—live on less than $2 a day, and 1.2 billion—a fifth—live on less than $1 a day, with 44% of those living in South Asia. In rich countries, fewer than 1 child in 100 does not reach its fifth birthday, while in the poorest countries as many as a 1 in 5 children do not. And while in rich countries fewer than 5% of all children under five are malnourished, in poor countries as many as 50% are. This destitution persists even though human conditions have improved more in the past century than in the rest of history.

What's new

The British economist John Atkins Hobson was one of the first to use the term imperialism to describe the nature of the international economy in his book of that title in 1902. The Russian revolutionary Vladimir Lenin used Hobson's work to develop this concept further. In 1917, on the eve of the Russian



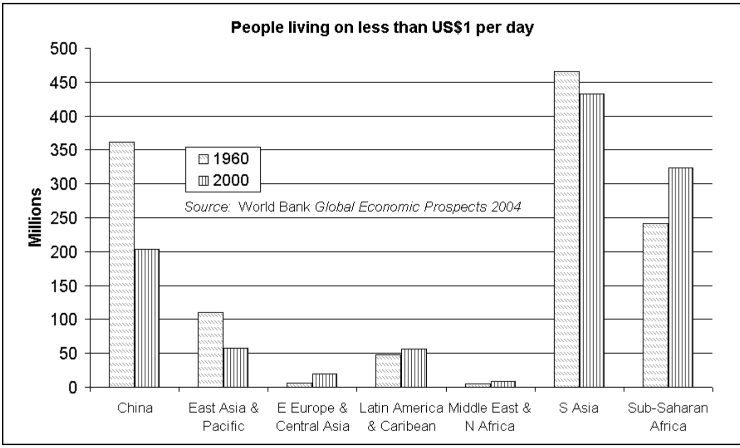
Africa suffers

- Zambia: 20% of the population is HIV positive, the government spends $17 per person on health and $30 per person on debt service to western financial institutions
- Niger: less than 20% of young women are enrolled in schools, more is spent on debt repayments than on education and health care
- failed development and economic programs such as structural adjustments programs (SAPs) continue to devastate the African continent and peoples
- African women are expected to meet needs no longer met by governments, such as medical care and food security while girls lose out on education when fees are imposed
- Tanzania: spends 9 times more on debt than health; 40% of population dies before age 35
- one out of 20 African mothers dies at childbirth
- 17% of Africa's children die before the age of five.

www.baobabconnections.org

Revolution, Lenin showed in his own work called *Imperialism* that the contemporary economy was based upon the joint roles of industrial and banking capital. Monopoly capital – which was increasingly organised into cartels – and finance capital tended to be nationally organised. This was crucial in explaining imperialism because the nation state became a protector of the interests of its own national monopoly capital, at home and in colonial possessions. Lenin described the system as capitalism in transition and detailed how imperialist nation states had been driven to world war ultimately by economic interests.

Recent globalisation of production and commerce, by contrast, has been structurally dependent upon the role of transnational corporations, which are no longer based upon a particular nation state. This does not mean that the role of the nation state has become superfluous, or that inter-imperialist rivalries have been transcended. But it does indicate that economic development is no longer based upon rival trading and political empires that aim at the protection of the interests of monopoly capital. Instead,



because of the growth of global corporations, capital has become a more integrated economic system. This is expressed by the development of worldwide institutions, such as the World Trade Organisation and the emergence of global financial markets.

Given the transformation of national monopoly capital into transnational capital, national political representatives of capital have found it possible to co-operate in unprecedented ways. This would have been inconceivable in the era of nationally-organised and competitive monopoly capital. For it is in the interests of the transnationals that political co-operation and unity is created between the advanced capitalist countries in order to enhance the possibilities for exploiting the labour of all countries.

The contrast between the period leading up to World War I and today is brought out by writers like David Held, in *Global Transformations*. In its early days, globalisation was about empire building. Today, he concludes, the process "reflects the varied and self-conscious political or economic projects of national élites and transnational social forces pursuing often conflicting views of world order". Controlling and managing globalisation is a "global politics" of "agenda-setting, coalition building and multilateral regulation". This challenges the territorial principle of the state as the primary basis for the organisation of political rule and the existence of political authority, he says. Summing up the changes, Held and his colleagues conclude:

> Of course… the appearance is one of catching up; a return to the status quo ante of the classic Gold Standard [pre-1914] era. But… in nearly all domains contemporary patterns of globalisation have not only quantitatively surpassed those of earlier epochs, but have also displayed unparalleled *qualitative* differences – that is in terms of how globalisation is organised and reproduced. …The contemporary era represents a historically unique confluence or clustering of patterns of globalisation in the domains of politics, law and governance, military affairs, cultural linkages and human migrations, in all dimensions of economic activity and in shared environmental threats. Moreover, this era has experienced extraordinary innovations in the infrastructures of transport and communication, and an unparalleled density of institutions of global governance and regulation. Paradoxically, this explosion of global flows and networks has occurred at a time when the sovereign territorial state, with fixed and demarcated borders, has become the near universal form of political organisation and political rule. [emphasis added]

Others have described the "global shift" in the relationship between capital and labour since 1975. In *The Enigma of Globalisation* Robert Went maintains: "These changes have resulted in a substantial increase in capital's share of income in all parts of the world, and – more generally – in a political, social and economic agenda in which the interests of capital take pride of place." He believes that the United States has an overriding interest in establishing the free movement of capital world-wide. "There is probably no more important foreign economic policy issue for the US than this," he believes. This, as we shall see, is what the invasion and occupation of Iraq was essentially about. Most experts are agreed that the features of today's globalised capitalism are distinct in character from other periods. Went explains:

> Instead of the national cartels that competed for world markets at

> the beginning of the last century, many types of international investors, alliances and multinationals are now competing and co-operating with each other on the basis of various different strategies in both developed and developing countries. At the same time, the number of international organisations and panels charged with co-ordinating and regulating economic policies has increased dramatically. In these organisations the big countries work together, particularly to open up developing countries to trade and capital. None of this means that there is no longer any competition among imperialist countries; but such rivalries are fought out economically rather than militarily...
>
> A second difference linked to the previous one, concerns the role and structure of finance capital. The national bank-dominated financial systems [of the early 20th century]… have made way for a much more integrated world-wide financial system, where global norms are set for profitability. Because of the disappearance of capital controls, and immense expansion of financial markets, globalised financial markets, where a lot of speculation takes place, increasingly discipline investors and governments.

The development of global capital represents a new phase in the imperialist stage of capitalism. For what is occurring is the intensification of the exploitation of the labour of those subordinated and dominated countries within the world economy. In this sense, imperialism remains an expression of a relation of exploitation and oppression of oppressed nations, despite the important gain of political independence in the period of colonial liberation. But the content of this imperialism is no longer primarily based upon antagonistic and rival national monopoly capitals, but the forces of the TNCs. These new conditions are generally upheld by the role of the nation state.

Taken together, these developments amount to a qualitative change in the form of capitalism as a social system. The dictates of the global market economy drive the corporations, not the needs of any particular economy or country. The sheer concentration of economic power and its reach across national borders is unparalleled in the history of capitalism. The mega corporations and financial institutions now operate to an increasing extent independently of nation states and their governments. Governments do not have the power or the resources to prevent corporations moving their plants, offices, research facilities and call centres to other countries in search of lower labour costs. A financial system that owes no loyalties to central banks, even to the powerful Federal Reserve in America, can undermine currencies in a matter of hours. States are reduced to the role of enablers, promoting and implementing structures within their own borders that facilitate globalised capitalism.

The component parts of this economic and financial system operate in a self-related way, rather than as a result of some plan or strategy. They are justified by policies that have been labelled the Washington Consensus, or neo-liberalism, and have an agenda that includes trade liberalisation, competitive exchange rates, privatisation, deregulation and free movement of capital. But globalisation itself is not reducible to a policy of governments. Rather the policies are the reflection, ideologically, of a deeper reality – the imperatives of a corporate-led globalised economy. This reality of modern globalisation is greater than the sum of its parts and has a logic independent of the motives and actions of those who constitute its main actors.

This is not a secondary question. If modern globalisation were just a bad policy, a more rational approach based on better regulation, accountability and governance would do. In other words, it would be possible to alter this policy without the need for transforming revolutionary change. Instead, it is necessary to recognise that the forces of the globalised world economy are the basis for the actions of nation states. This does not mean that the state has become unimportant, without strategic or political significance. But it does establish the context and content of the

TNCs and the national interest

You cannot assume that all TNCs headquartered in the USA, or Japan, or any other country, somehow express a national interest. They do not: they primarily express the interests of those who own and control them.

Globalisation – Capitalism and its Alternatives, Leslie Sklair nation state which is increasingly to facilitate the interests of global capital.

The crucial political question is to reject the illusory view that we can win over the existing nation state to act against global capital. As we show in the next chapter, any possibilities for using the existing state machine to extract reforms out of capitalism in practice no longer exist. This new situation reinforces the case for a strategic, revolutionary transformation of the state and property relations.