

Globalization and its Discontents

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In this issue of the journal, William Robinson offers his analysis of the rise of transnational elites emerging outside of the traditional frame of nation-based capitalism. What is significant, in large part, is that unlike their national-capital predecessors, this new cadre has little concern for all that we refer to as social reproduction, industrialization, and local development. In its place, argues Robinson, are elites guided by a definition of global development rooted in the expansion of global markets and the integration of national economies into a global capitalist reality. This picture is a logical extension of a narrative that takes capitalism from a period of internationalization to globalization, and while the distinction between these two periods of capitalist development remains somewhat unclear we can agree significant changes are underway.

The pages of this journal have recently explored the nature of class politics in globalization (Berberoglu, 2009; Kollmeyer, 2003; and Sakellariopoulos, 2009), the reconceptualization of globalization through a gender lens (Acker, 2004; Gottfried, 2004; and Ng, 2004), the impact of globalization on workers (Archibald, 2009a, 2009b) and the way the rhetoric of the core penetrates other regions of a globalizing economy (Barahona, 2011). Robinson's article, and the critical exchange between Robinson and commentators in this issue, shifts our attention away from what we mean by globalization and its impact, and towards the question of who now manages this new global economy and what that means. The neoliberal agenda, and apparently the focus of transnational elites, is the expansion and reliance on 'the market' and a return to pure laissez-faire practices.

The role of markets is the central piece, for example, in the current efforts to restructure the failing economies in Europe and the underpinning of the criticism that markets should be freed from the fetters of government regulations that introduce inefficiencies and are to blame for the economic ills that have befallen the major capitalist economies of the world (Fuchs, 2010). We now know all too well, so we are told, that a correction requires a heavy dose of austerity and the shrinking of the social supports provided by national governments. Otherwise local economies will fail to participate in the growing global economy and nations will fall into unimaginable poverty. The writings of Andre Gunder Frank (especially 1966, 1971) foreshadow the current argument, though I am certain not in the way he would have imagined.

For Frank, while post-World War II capitalist countries may have been undeveloped at some point, the rest of the post-colonial world suffered from underdevelopment – that is, from a process that maintained poverty and economic hardship as a result of their relationships with so-called modern capitalist countries. The very forces of capitalism instituted well-documented practices of extracting resources and maintaining low wages in order to increase profits (practices that persist today, if not in the same form). At the same time, to 'encourage' development, governments and global financial institutions like the IMF and World Bank provided huge loans so that these countries could 'afford' to modernize rapidly. These loans were accompanied by massive intervention

into local autonomy as national governments were carefully regulated regarding (and at times even stripped of their authority over) tax collection and revenue policies earmarked for debt repayment (Payer, 1975). It is an irony perhaps lost on countries like Ireland and Greece that the same practices and demands are being made, this time not by international financial organizations but by big banks that had lent massive sums to weak economies. We would be remiss not to mention that while the current targets of imposed austerity struggle, Iceland offers an example of what could happen when a nation's people mobilize, remove a compliant government, and reject the demands of global banking and international finance by repudiating the debt (another irony, since one of the main concerns of the core countries during the 1970s and beyond was the repudiation and default of the debt by developing nations).

This brings the discussion back to the question elites, and debt – or more to the point personal debt and the current reaction to growing inequality in our major industrial nations under the rubric of the Occupy Movement. A key element of this movement that has attracted so many young people, apart from the basic protest against the terrible inequality that has come to represent modern capitalism in the 21st century, is the enormous debt these people have assumed in the form of student loans. Two facts about these loans are important: (i) they are the only form of debt not dischargeable in the US (and we focus on the US because the enormous cost of higher education in this country is totally bizarre to the rest of the world) under changes in the laws that govern bankruptcy; and (ii) the level of debt owed by students for their education now exceeds the total level of outstanding consumer credit card debt (which, it must be noted, can be discharged when filing for bankruptcy).

From this we can distill a basic reality of our globalized world, at least in the US. In order to succeed, you must have at least a college degree and the more prestigious the institution the higher the likelihood (but no guarantee) of success. Whether or not you attend one of those institutions, unless you are one of the children of the 1 percent, you are likely to leave school burdened by – some say crippled by – debt. Since that debt is not dischargeable and only the very few can enter the ranks of the elite (of late it would appear few can even find a job that pays a reasonable salary), young people are entering a phase that is no less onerous than the indentured servitude experienced of the past. It is little wonder that so many students are reacting to this untenable situation, even for students in one of the most elite of our institutions of higher learning (<http://occupyharvard.net/occupy-harvard-crimson/>). Students are informing themselves, are open to hearing about the link between production and systems of distribution (Wolff, 2011), and are even questioning the nature of their education as they walk out of classes on economics taught by Prof Mankiw (a noted economist who is a proponent of capitalism and an opponent of government intervention in the market). Young people, at least, are starting to figure out that taking on incredible debt that then controls their lives is not a way toward economic prosperity, a lesson many countries have yet to understand. The price paid by many in order that a few can occupy elite positions (transnational or national) is becoming all too apparent.

Globalization, however, is not the panacea many believe it to be. In an effort to become globally competitive many countries have been relocating manufacturing to off-shore locations in low wage countries. But as the recent exposé of the production of Apple's iPhone and the detailing of Foxconn's employment practices (Duhigg and Bradsher, 2012) reveal, there is a downside to maintaining abusive production relations abroad. Public reactions notwithstanding, there are also economic costs. The Boeing Corporation systematically shifted its production abroad so that, like the US auto manufacturers, their factories are more a location for the assembly and not the production of its primary product – in this case the airplane. A special report by Reuters (Peterson, 2011) documents how production shifted: most of the Boeing 737 series was built in the early 1960s from parts made by Boeing workers belonging to the International Association of Machinists (IAM,

their union); Boeing cut back somewhat in the production of the 747 series a decade later, and then cut back almost entirely in the construction of the new 787 series so that all but the tail fin and wing-to-body connectors were built by foreign manufacturers. The company's stated aim was to take advantage of an international 'market' in order to reduce costs and increase profits. The result provides two very important lessons that may well symbolize the pitfalls and reveal the fallacies of the globalization rhetoric.

The thrust of much of the political rhetoric about (and at times in opposition to) off-shore production justifiably centers on the need to bring well-paying industrial jobs back to the US, though most acknowledge that manufacturing is not likely to return at the same level as it has in the past and is not going to be the engine for the resurgence of a middle class featuring highly paid workers. At the same time, the rhetoric in defense of off-shoring and the global distribution of manufacturing is rooted in cutting labor costs. Yet, a look at the production location of most of the parts that go into the Boeing 787 Dreamliner, its new premier offering, reveals (Peterson, 2011:10) that parts supplied for this aircraft mainly are produced by a high-wage high-skilled workforce in Japan, Italy, France, Sweden, Australia, Canada, and the UK (we might speculate that the parts coming from Korea are made by workers with higher wages paid than those in countries like China or India, but Korea only supplies the wingtips of this new plane, not a high skill addition).

It would be foolish not to consider that part of this motivation to shift production is Boeing's desire to discipline its workers and undermine the union (recall the political fallout surrounding the NLRB's complaint that the sole purpose of Boeing relocating some production work on the 787 to the Right-to-Work State of South Carolina was to undercut the union contract with their workers in Seattle, a complaint later withdrawn by the NLRB in the face of intense political pressure). At the same time, trying to cut labor costs or avoid unionization comes with its own consequences, as Boeing has discovered. The result of this outsourcing has been billions of dollars in cost overruns (Hiltzik, 2011) due to a loss of control over the engineering and design element of the construction process, a control feature that is central to the idea of factory production and implicit in the creation of the very first factories Henry Ford designed for the production of his automobiles. In the end, Boeing had to shell out additional funds to take control of these functions back from companies that provided Boeing with parts that did not properly fit together with parts supplied by other contractors and suppliers. In the final analysis, Boeing would have spent far less had they made the aircraft in-house, as they had in the past.

Managing markets may not be enough, and trying to control foreign markets through control over debt and credit may not work as desired. The attempt to impose austerity measures in countries unable to sustain large debt burdens has led to popular resistance, and in the case of at least one country, in the fall of the government and then a complete repudiation of that debt. Each stage of capitalism reflects revolutionary changes, and yet as we have learned in the end it creates the circumstances that threaten its very survival. We must wonder if the discontent we are witnessing in the form of resistance to neoliberal policies around the world and the increase in social resistance by the people across the global economy will result in significant changes in how our society functions in the days ahead.

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