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Capitalism, Internationalism and Socialism In A Time of Globalization

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This paper will debate Marxist propositions, presented since the mid-19th century, about capitalism, socialism and internationalism. According to Marx, socialism would replace capitalism and internationalism would occur through the dissolution of nation states. Taking into account recent moves toward globalization and measures imposed by national governments in the face of the deep financial crisis of 2008, it is interesting to compare Marxist theories with some historical events that have happened since the 19th century. Much has occurred that Marx did not predict.

Capitalist Transitions Since the 19th Century

Capitalist modes of production have shown a sequence of significant transitions since the mid 19th century. The financial sector has increased continuously, absolutely, and relatively.

Capitalism began in Great Britain, and London became the main world financial center, the largest world metropolis. Investments from capitalist countries were directed not only to the other industrialized countries or their colonies, but also to the newly independent countries of the periphery.

By the beginning of the 20th century, for instance, the largest foreign investment in Brazil was made by Light & Power, a company with headquarters in Toronto, Canada. Working with English, American and Canadian capital, Light & Power started its investments with a nominal $10 million, applied to acquiring urban equipment in the main Brazilian cities, Rio de Janeiro and São Paulo.

Holding for many years the monopoly of all urban services (electricity, gas, telephone, water supply, sewage, and tramway transportation), the company was nicknamed by the population of Rio de Janeiro, at that time the federal capital of Brazil, the Canadian octopus. But it played a fundamental role in the development of São Paulo and Rio de Janeiro; they became the two main modern national metropolises.

During the 1930s, Neville Chamberlain showed his country’s weakness, unlike its strength during the beginnings of national industrial capitalism, by appeasing Hitler. International financial capitalism was more likely to negotiate than intimidate. Great Britain was replaced by the United States and New York became the world’s leader of international financing after World War II.
American Industrialization During and Since the 19th Century

Among the new characteristics introduced were:

- **The continuous in-migration of people and capital.** Unlike Europe, in the US national identity was no longer related to ancestry; citizenship could be earned through application and for children of immigrants, through birth.

- **The expansion of the country**, from coast to coast, and the formation of a national industrial developed economy on a continental scale.

- **Mobility** of the population made possible social betterment (the self-made man is an American staple).

- This social mobility created a social atmosphere where it was possible to put production far ahead of consumption. This was done by introducing new products, new models, industrializing food, developing advertising, and introducing a popular credit system (credit cards).

- **American geography** provided two vast coasts on two main oceans, thus offering the possibility for the United States to become simultaneously a territorial and a sea power.

The diversity of national origins among the migrants certainly influenced the desire for peace, particularly between America and Europe. The League of Nations, created after the First World War, was President Wilson’s idea, but the US itself did not join because of political differences within the US Senate.

Later, because of strong isolationist beliefs, although many people supported England’s struggle against Nazi Germany, the US only entered in the Second World War after the Japanese attack on Pearl Harbor, December 7, 1941.

Two more observations about the evolution of the US:

- In his Manifesto, Marx expressed doubt about his own views for the future, considering much unknowable about developments in the New World.

- Although Heidegger saw Germany as a European defense against both American and Soviet materialist cultures (Heidegger, 1966), Hitler tried to introduce in Germany many American institutions. Like Henry Ford, he introduced a popular, affordable automobile (the Volkswagen) and built superhighways (autobahns) to facilitate motorized travel.

He also modeled the notion of expanding Germany through conquest after what the US had done in the 19th century. The German film industry was modeled after that of Hollywood, intending it for a mass cultural audience and propaganda. His development of air power was intended from the first for military purposes—primarily against Soviet Russia.
Socialist States and the Banner of Internationalism

The Soviet Union: For Marx, the succession of *modes of production* would represent a historic movement, elevating mankind from lower to higher levels of material and moral development. Technological innovations would guide the process. Capitalism would result from the new social relations of production needed to manage the use of machinery.

Communist efforts to seize power after World War I in Germany failed. But its development in Russia was not as Marx had imagined. Under Russian conditions, the revolution shifted to an authoritarian personal dictatorship with a personality cult—first Lenin and then Stalin. The Soviet Union proclaimed that the revolution was a needed immediate, radical, total social rupture with capitalist forms. It presented itself as capable of changing the world by example (but in actuality, after World War II, through subversion, political propaganda and interventions).

Stalinist propaganda proclaimed that the USSR was producing a new kind of man. Stalin also promoted a permanent revolution (social and political) around the world, ignoring Marx’s ideas about the role of economic linkages between countries in spreading a new mode of production.

The Soviet regime ignored the concept of economic social formation developed by Western Marxism (Sereni and Luporini, 1974). While the mode of production is an abstract concept, referring to the forms of the social relations within the process of production, economic social formation considers the real integration of already existing societies into a new mode of production.

Thus, in each geographical region, past social components were absorbed or adapted into new social formations. We see this today in China. However, the Soviet Union did not integrate its past nascent capitalist institutions into its new system, and did not established economic ties with capitalist countries.

Actually the Soviet Union pursued the same road followed by every national state: defense of its state interest (its internationalist fantasies were soon subsumed).

China as the Current Communist Superpower: A communist-armed revolution began during the 1920s and was led by Mao Zedong, who ultimately took power in China in 1949. Unlike in the USSR, where the revolutionary movement was centered on the urban masses, in China conflict for a new regime occurred in the countryside. Soon after the revolution, in a country mostly rural one saw the establishment of a totalitarian regime with the cult of Mao.

After a long period of isolation, China began to develop its urban culture through industrialization and controlled rural/urban migrations of millions of people. The country shifted also toward economic exchange with major capitalist countries and it also introduced some aspects of European culture to China. These policies mended the damage of their prior isolation and despite sharp ideological debates within the Party, Zhao Ziyang and Deng Xiaoping emerged to preside over China’s opening up.
China is still headed by an authoritarian regime but the results of the opening up of China's economy seem to have been very good for the country.

Consider other important differences between the Chinese and the Slavic nations. China has never had the idealistic values of Christianity; instead, it had a tradition of materialist practices, commercial activities, and patient negotiations. They enjoyed the benefits of a huge diaspora of tens of millions around the world, living mainly in the world's largest cities and involved in commercial activities.

The traditional Chinese social family structure sustained Chinese identity among the diasporic population and assured their continuing links with the country of origin. (It is interesting to note that, actually, the long history of two unique populations, the Chinese and the Jews, is related in both cases to family linearity and to the idea of ancestral families.)

Relations between China and the Chinese Diaspora strongly influenced the opening of Communist China to interchanges with the capitalist West. However, to understand China's more open interchanges with the capitalist system, when compared with the behavior of the late Soviet Union, it is certainly more important to consider time as the critical element. China had the chance to learn from Soviet failures and from contemporary new scientific and political thought, while bringing back some classical Marxist theories. Thus, while building a new modern urban society on its territory, China selected less contentious political and economic ties with the West. It is not yet capable of emulating civil society in its incarnation within representative government, however.

China's current rulers present the country as being in transition, and they employ a hybrid expression proposing a Socialist Market system for the future while maintaining the power of the Communist Party. Thus, as opposed to the former Soviet Union, Communist China includes domestic private sectors in its economic development, opens its territory to foreign capitalist investments, and does not use ideological propaganda to enlarge political influence. Rather, it uses its economic achievements instead.

The World-System Order After World War II (See Wallerstein, 2009)

After World War II, some Marxist sectors considered the inevitability of a third world war as an expression of capitalist needs, but that war never occurred. They believed that the West needed to destroy people and infrastructure to maintain its hegemony and to avoid overproduction.

Other historians argued against such a mechanical interpretation. They exposed the controversial cultural influence of the aristocracy (or elites) in state decision-making that played out in European wars. This theory was very well represented in Jean Renoir's movie, La Grande Illusion (Renoir, 1937).

One may accept both ideas, considering that in social processes, there is not one unique acting factor, but, rather, a convergence of interrelated factors. For example, to start a car, one turns on the ignition but running it depends on a complex
interrelationship of parts. Thus, a historical movement can begin with a single event but its development will depend on the vagaries of structure. The murder of Franz Josef's nephew and heir triggered World War I; but a structure of economic and political forces developed the conflict well beyond its origins.

The new global order introduced after World War II provided a huge financial sector and transnational corporations, together with the fear of nuclear holocaust, which enabled the structure of negotiation between states and the avoidance of major conflicts.

Two Superpowers and New International Institutions

After World War II, two superpowers emerged: the USA and the USSR. A number of new international institutions were created to enlarge the field of multilateral negotiations among nations, such as the United Nations, the International Monetary Fund, UNESCO, and others. The dollar replaced gold as the international monetary standard. Formal fascist parties and literature were forbidden—at least in Europe.

Decolonization

The interests of the two superpowers converged in ending the historical forms of European and Japanese colonial empires. The ideology of decolonization lies in the origins of both the American and the Communist revolutions. For the US, there was a need to dismantle colonial empires to expand its own form of capitalism. Clearly, globalization in its current form is inconceivable in a world of traditional colonial empires.

For the USSR, decolonization gave an opportunity to enlarge the country's own political influence by exploiting nationalist feelings against the former colonial powers. In a strange confluence of agreement, Israel was created with the vote of the two superpowers. When the Soviet Union found that Israel would not be tilting toward Marxism, they dropped their support in favor of the Arab world.

Israel's creation owed its origins to the national liberation movements that were successful as large empires collapsed during World War I. These movements had begun during the 19th century, starting with the weakening of the Ottoman Empire and resentment against the Russian Empire. Without historical political territorial roots in Europe, which regarded nationality as strictly indigenous, the Jews sought a return to their ancient roots, Israel, where there were still Jewish communities living among Arab populations.

American Capitalism and its Financial, Economic and Cultural Forms

(See Hardt and Negri, 2000).

The US was the sole industrial power not affected by the territorial destruction of World War II. Having developed productive capability to sustain the war, when the
war ended, the country emerged with enormous capacities that enabled it to play a major role in post-war recovery worldwide.

On the other hand, the price paid by Soviets in the war initially earned respect and inspired many in the West to seek more social equality. Eyes turned to the Soviet Union, particularly among the lesser developed, because people were impressed that such a backward economy could emerge as the world’s second superpower.

In a planet that was shrinking as a result of technological advances in communication, information, and transportation, the peripheries and their newly independent states wanted more participation in economic and social benefits and in world political decisions. The urbanization that accompanied capitalist diffusion was opening, simultaneously, space for further foreign investment and for the increase of nationalist movements.

The result of both movements, the diffusion of capitalism and of socialist ideologies, created worldwide confrontations between capitalism and socialism. But as the USSR was beginning to implode, another movement emerged: a global movement of militant Islam, fueled by capitalist oil and Nazi and Communist totalitarian ideologies.

**A USSR/US Competition for World Hegemony**

The US was in a position to offer Marshall Plan aid of more than eleven billion nominal dollars to enable Europe to rebuild after the war. Because of its defensive policies, a characteristic of personal dictatorship, the USSR refused to be included. Moreover, it prohibited its European satellites, the so-called People’s Republics, from accepting this aid.

Communist Russia saw the US as an enemy trying to destroy it by all means. It did not understand, or did not want to understand, the capitalist strategy of negotiation. The economies of Europe and Japan were rebuilt with the participation of American capital (Wallerstein 2009).

Development aid brought great affluence to the countries accepting it, making a stark contrast with those living under the Soviet umbrella. Even further undermining Marx’s predictions, Western capitalist countries enlarged their social services; they provided, without revolution, welfare states. Western Communist parties became unable to enlarge their political representation, although in France and Italy they almost took power in elections.

Western leftists counterattacked by raising anti-consumption campaigns and environmental issues. This movement was one of the roots of the contemporary ‘green’ movements.

The Soviet Union, however, struggled with reconstruction of their war-damaged empire. It spent heavily in order to compete with the US in military technology and fielded a huge army; civilian needs were ignored. The Soviets spent their money on fomenting crises and unrest in Korea, Cuba, Vietnam, the Arab countries, and some
African states, all with the aim of enlarging their sphere of influence. The Soviet Union thus became a first-world military power with a second-world economic and social infrastructure.

In such a climate, the two superpowers sought military alliances. NATO played an important role in the Cold War and exists today, beyond its original purpose. Both blocs experienced dissatisfactions and dissension.

In countries where socialism was installed by domestic movements, with such charismatic leaders as Tito and Mao, breaking ties with the Soviet Union did not bring military intervention. This was not the case in the People’s Republics where communism was imposed from the outside.

**From the Cold War to Near Conflict and Ultimate Condominium**

In 1962, the Cuban missile crisis presented the most dangerous point of the Soviet/American confrontation. The horror of a nuclear war appeared clearly and served a deterrent to war. At this time, de-Stalinization had already begun in the Soviet Union, slowly, gradually. A new political climate descended upon the world, creating a situation called an American/Soviet condominium, where the two tried to achieve understanding about international issues and present them for international acceptance. Military alliances lost their function and were replaced by the Common Markets of countries. In South America, Mercosul, a regional trade association of Argentina, Brazil, Paraguay and Uruguay, emerged by the end of the 1980’s.

**Deep Technological, Economic, Social and Political Transformations**

As the political race between the superpowers was going on, deep changes were occurring within capitalism. World War II was a main source for new inventions: jet planes, radar, computers, antibiotics, and nuclear energy. The cold war was also a component, together with capitalist interests in maintaining the technological race.

In the technological field, the Information Age began, inspiring Manuel Castells to propose *Modes of Development.* (Castells, 1989). Globalization is unthinkable without its electronic web, flows of capital finance, and relations through the Internet by international urban social movements. The formation of the so-called ‘social capital’ is a result of the Information Age. Among other outstanding achievements have been human adventures in both outer space and in the atom and the cell.

**An Important Change of Class Structure**

These social changes have led to the decline of industrial labor, not only in the developed world but in the lesser developed world, as well. This has developed naturally as the result of the introduction of more sophisticated machinery, robotization, and automation. On the other hand, the huge increase in the number and size of private corporations, with their R&D centers; the higher sophistication of state administrations; an extraordinary expansion of the academic activities—all these have contributed a new class: capital managers and venture capitalists.
Using the *selective affinity* principle, Kalecky has developed terms for the components of a new class formation present in advanced economic societies. They would be *capitalists, wage capitalists, and wage laborers* (Kalecky, 1954). CEOs and directors of corporations, conductors of financial institutions, top state policy decision makers, high senior research and development academic professionals, among others, would be *wage capitalists*. The political and ideological importance of the fact is that such individuals tend to merge the vocation of a capitalist with a labor conscience.

Marxist thinking once suggested that with a change in the mode of production, the dominant class takes power over the previous ruling class. However, one did not see, at the end of the feudal era, the serfs reaching the top; rather the new urban merchant class was elevated, so well described by Shakespeare’s *The Merchant of Venice*. Later, the merchant gave way to the industrialist, forming together the bourgeoisie.

In the same way, one can see the *wage capitalist* class of the private and of the state sectors acting together as the new decision makers. It is apparent, for now, that neither the old capitalist forms, nor a socialist system, based in past ideas, have prevailed; rather, a more complex hybrid system containing elements from both is emerging.

Another view of current social structure in developing societies is given by Rajan and Zigales, who identify three layers of constituencies. They define a monopolist population sector, an educated population sector, and an uneducated population sector (Rajan and Zigales, 2006).

**Neoliberalism, Virtual Financial Sectors, and Globalization**

**Neo-liberalism** During the 1960s, the pace of capitalist accumulation declined. Increasing costs of the state social net -- nationalizations of major enterprises (such as the coal mines in England), made by the Labor Party -- were identified by the conservative parties as the reasons for the decline. Nationalized enterprises, for instance, are much less concerned with efficiency; their deficits are simply thrown into the state treasury.

Social services such as health or education are inelastic in economic terms, and their expenses also grow because of new technologies. Further, life expectancy increases and the elderly grow as a percent of the population because of health advances. Health costs and retirement costs thus increase.

Neo-liberals (conservatives) have proposed limiting state social expenditures and returning to privatized state-owned industrial enterprises as well as some infrastructure.

President Reagan and Prime Minister Margaret Thatcher became the symbols of the implementation of the new economic policies in the US and UK. Since that time, there has been an ongoing political/ideological conflict in capitalist countries between state-run programs and those supported by the private sector in the national economy.
1968 At the end of the 60s a new generation appeared on the scene, one that was not alive during the World War II. Some of these youngsters were actively dissatisfied with both the Western and the Soviet models. In the West, such critics decried involvement in wars at the periphery; these wars sustained colonialism, provided support for corrupt reactionary regimes, and maintained traditional bourgeois values. They were blind to social inequalities. In America, this was epitomized by the ‘hippy’ movement, accompanied by unrest in the American universities. Simultaneously, major racial and gender revolutions erupted.

The emblematic moment for this discontent was May 1968, when the university students of Paris occupied the streets and demonstrated with similar critiques. The importance of the events in Paris was because of the disruptions in the streets of a national capital, which disturbed its daily routines, and the challenge to the national government, provoking international echoes.

In Rio de Janeiro, 100,000 people led by students poured out onto its main Avenue, Rio Branco, shouting for democracy and opposing the military regime installed in 1964.

Another significance of the May 1968 Paris demonstrations is that it indicated a split between traditional left French parties and a new left. Because they were raising cultural issues, not wage increases or other work issues, the strong labor union, the CGT, did not come out in solidarity. This was also a period of uprisings in Eastern Europe against the Soviet occupation—which were harshly put down by the Russians. The new Western left was taking positions against the Soviet intervention, something the left had never done before.

In Eastern Europe, following the revolts in Berlin, Warsaw and Budapest, Prague Spring took place in 1968. The revolt in Czechoslovakia was significant because, while the other capitals were in countries known for reactionary regimes before the war, the Czech Republic presented a long tradition as a democratic society and had its own socialist parties. For all these reasons 1968 marked a series of ideological transitions after World War II. It signaled the need for new forms of democracy and socialist ideologies.

Derivatives At the same time, by the 70s, on the capitalist economic front capital managers of the financial sector were introducing new kinds of financial instruments, such as betting about the future values of commodities, currencies, and other types of goods.

Then, this system moved on to bets on the betting, the derivatives. This activity diffused rapidly over the world reaching trillions of virtual dollars, in 2008, more than the 50 trillion estimated for the gross domestic product of the world. A large part of these virtual dollars have evaporated as a result of the current global economic crisis.
The crisis started in the US in the housing finance sector, but the relations between a structure and an ignition key had already begun. Virtual and real economies are interrelated, affecting all kinds of activities and employment.

The development of the virtual economy, invented by the capital manager class, had its feedback, enlarging the size, number of financial institutions and number of people involved in this sector. Naturally it also increased the wage capitalist class. On the other hand, huge sectors of the middle classes, around the world, were attracted to participate, increasing the social losses provoked by the current crisis.

**The End of the Former Soviet Union** The main problem with the former Soviet Union was its inability to produce a civil society. This is clear from how easily the Soviet Union dissolved. The Supreme Executive Committee of the State, supposedly representing the Soviet people, tried to take down reformist President Gorbachev, who was urging restructuring, economic reforms and transparency in governing (all very alien to Russia’s experience). But it was too late. The extreme bureaucratic regime lost its capacity to survive.

The fall of the Berlin Wall, the end of the Soviet Union, the euphoria with a new cycle of capitalist accumulation, made some believe in the end of history (Fukuyama). Socialism would be buried. Actually, the concepts of capitalism, internationalism, and socialism are changing.

**Contemporary Globalization** Since the end of World War II, we have seen continuous technological advances and increases in tourism, financial investments, museum collections for exhibitions abroad, parts for car assembling, and much more. These were the early steps preparing the current framework of globalization. Today all these networks have been connected and are communicated with on the Internet. We have a ‘shrinking’ earth.

This intensification of interchanges around the world has brought two kinds of reactions: on one side, the support for increasingly convergent relations between nation-states for a global order; on the other side, dissatisfaction among those living in feudal or peripheral states. The idea of globalization causes debates mainly about current international relations among states (possible loss of sovereignty) and differences in social values between the advanced and feudal-reactionary societies.

The term globalization, while new to many of us, is not new in historical circles. Many believe that the process of globalization began when human beings first peopled the entire globe—and in particular, with the Age of Discovery in the 1500s, in which the eastern and western hemispheres became known to each other. As Braudel would say, there have always been world economies.

However, we can justify restricting the term to the present because it has finally been internalized in all our media and in global popular culture. Also, it carries with it the idea of higher international collective action by the nation-states, handling a range of issues that must be addressed internationally.
The Geography of Globalization

Globalization has brought a new capitalist geography. Decolonization was an indispensable first step. Now, urbanization and the formation of a middle class in the lands of the periphery is the next step of the globalization process. It is happening in China, a country that is moving from the conditions of periphery to that of second world leader because of its GDP, and where an ongoing process of urbanization involves hundreds of millions people moving from the rural areas. It happened in Brazil, now with more than 80% of its population living in cities.

Regional Geography

The previous traditional capitalist center (the US and Europe) is still the main mover of the world economy. These member states have organized themselves into a group named the G7 +1: the US, Western Europe, and Japan—plus, for practical purposes, Russia. These states have the highest per capita incomes. Russia is included for geopolitical reasons—and for its valuable natural gas resources, much needed in Europe.

Opposition to the G7 comes from the extreme political left, traditionally anti-capitalists, now joined by environmental groups.

The new world map shows the hierarchical elevation of a group of emerging economic and political powers, the so-called BRIC (Brazil, Russia, India and China), countries characterized by continental or sub continental size and populations from more than 120 million to more than 1.2 billion. They show the highest industrialization growth rates; China’s GDP is reaching 3 trillion dollars per year.

The appearance of the BRIC seems to affirm that national economies of continental size will play a larger role soon; this is a process that started with the US. It is not just the size of the landmass and the population; it is also the speed at which their economies, and particularly their middle classes, are growing. And with it comes other increases; India and China are increasing their investments in R&D much faster than the G-7.

It is interesting to observe changes of political behavior in some Brazilian social sectors. While Brazil is rising economically and politically in the world, and it is no longer regarded as a backward Latin country, critics who once blamed globalization now blame the management of globalization by the American and European leaders.

A third hierarchical level is comprised of smaller developed or emerging countries. A number of them have joined the BRIC to form another institutional group called the G-20. Some see Mexico and South Africa eligible for the BRIC in the near future, to form the BRIMSC. Among others, Taiwan, Malaysia, Indonesia, and South Korea are notable emerging countries.
Below these come other levels, the last with less interest in international investments. However political reasons may be responsible for leaving some countries out of globalization, as it is the case of North Korea.

**US / China Economic Ties**

Economic ties between the US and China are increasingly intertwined. American and other western companies invest heavily in China, bringing China into the larger world economy. Because of the advantage of low labor costs, China has become a large exporter of industrial goods, the US being its major customer.

The commercial balance is very negative for the United States, largely because of its balance of trade deficit, among other things. However China employs its huge currency benefits to buy American government paper, thus sustaining American consumption. In other words, while China is oriented to saving, America is oriented to consumption, financed by China.

Let us observe that Chinese dollars go to the American government, not to consumers, who use their credit cards. Some economists see in this disequilibrium one of the roots of the present world crises, a crisis that may end the use of the dollar as the global currency of preference. Given the huge reserves of the dollars held by China, it depends in some measure on Chinese policies.

**Centrifugal and Integrating Movements**

Globalization has increased the speed of integrating cultural attributes around the world into an ‘international’ whole. We see Chinese, French, and Italian restaurants, Sushi bars, and American popular foods, in every city. Lacoste shirts, Adidas tennis gear, and Visa or MasterCard credit cards are found everywhere.

However, speedy globalization has influenced more destructive movements of some traditional societies left behind. Although traditionally conservative, they are happy to use the most lethal tools of modern weaponry and the most advanced modes of communications. The Iranian Islamic movement, the Taliban, and al Qaeda in Afghanistan and Pakistan are examples of this.

Let us remember that in events of 9/11, al Qaeda terrorists, representing the most reactionary aspects of Islam, did not hesitate to use the most contemporary institutions: using private flying schools to learn how to pilot heavy airplanes, and using modern communications systems to coordinate their actions.

Given that globalization is linked to capitalist expansion, it has been opposed by leftist circles in the West. Some of these sectors were offering support to nationalist movements in the periphery and to militant Islamic regimes. These regimes have adopted elements of Fascist and Communist ideology. Fascism did not disappear after World War II. It went on to find a new home among feudal societies resisting other aspects of modernization.
Lead and Lag Time

One important element in understanding progress is that cultures once at the apex of development can lose their edge. Islam during its Golden Age—our own Dark and Middle Ages—lost its power and subsequently went into sharp decline. Much of the Muslim world today, although enjoying many of the benefits of the modern world, is psychologically at a loss. At their most backward, these lands and people are feudal and tribal, and at the more modern end, authoritarian or totalitarian.

Even the decolonization of Arab states from their former colonial masters, the Muslim Ottoman Empire, did not help them to advance. Democracy has not done well in the region which is rife with social inequalities and corruption, and civil society is fragile at best.

The creation of Israel has brought into sharp perspective how badly the Arab (and Muslim) world has modernized. Israel appears to them as a western plant in their midst, and there seems to be little possibility of resolving the hostility.

Fundamentalist Terrorism and Fascism

Even before World War II, it was not easy, in many situations, to distinguish between Communists and Fascists. Both were decidedly anti-democratic and supported totalitarian governance. Leftist underground factions joined together as terrorists—some posing as ethnic independence movements (PLO, IRA, Basques, and Red Army groups) began under the support and influence of the Soviet Union. As the USSR collapsed, the money to support these groups melted away.

Only the PLO has remained as a major terror group—and this because they dropped their secular socialist mantle and took up Islamic fundamentalism. This movement, along with all other Muslim underground movements, receives funding from the oil wealth of Saudi Arabia and Persian Gulf states. These movements have grown increasingly violent, and their totalitarian intentions have become more public with the support of the institution of the Caliphate, an institution dead for many centuries.

However, in today’s globalized world, these groups can only be irritants and not genuine threats as enemies. This is because these ideological movements do not have written principles, a great narrative (Lyotard, 1998), or statutes; their political strength has only a virtual power.

The Skinheads, for example, who terrorize people in Western cities, really cannot take over a society. Much more dangerous are organizations such as Hamas and Hezbollah, both with explicit written statutes, and both increasingly supported by the Islamic Republic of Iran, which is itself dangerous to its neighbors and potentially the world.
Diversity and Inequality

Biology teaches us that the development of species on Earth is tied to a process of increasing diversification. The Environmental Movement, which is devoted to the support of natural diversity, has a problem with the global system of nationalism. Nation states are nowhere in agreement with the same standards. Developed societies have one agreed-upon standard (as exemplified by the UN Declaration of Human Rights, as well as concern for environmental issues). The world of nature and ecological systems does not recognize national boundaries, nor do human rights have the same value in democratic states or in fascist, feudal, or theocratic states.

Indigenous Movements

Modern values are also in conflict with indigenous movements. Those who believe in the values of diversity support such movements—but those who believe in global standards of human rights do not. These conflicts are acted out in South America—in Brazil, in the Andes, and elsewhere, often with unfortunate results. Indigenous peoples are not being permitted to live in a hermetically sealed environment. They are part of the planet and their leadership almost inevitably gravitates toward authoritarian and often fascist values.

The World in Crisis

In the midst of a world characterized by globalization, multiculturalism, hybridism, and cultural borrowings, a deep economic crisis has exploded. Although this crisis resembles in many ways the one that began in 1929, the worldwide Great Depression, we should remember the Chinese meaning of the word crisis—opportunity—an opportunity to rethink the global system and its processes.

Scope of the Disaster

As in the 1920s, the epicenter of the crisis started in the heart of capitalism, producing waves involving the entire world, and bringing a general decline of production, unemployment, dissolution of huge amount of capital, and retraction of credit. However, although the crisis in 1929 brought the rate of unemployment to about 40% of the working force, it is now only between 9% and 10% in the US. This is because of beneficial changes that were instituted after 1929: interaction between private and public sectors, more sophisticated instruments to follow the economic financial evolution, and more protective security measures.

Is This A Structural or A Management Failure?

Certainly, the crisis has roots in management failures, as for instance poor state regulations concerning speculative financial capital. But the crisis also has roots in social and geographical structures. Income distribution increased during the period of financial speculation, and savings habits declined. This crisis did not appear suddenly, it was preceded by a number of other smaller crises with epicenters in different
locations, as in Japan, Russia, the so-called Asian Tigers, Mexico, Brazil, and Argentina.

**Confronting the Crisis at the Government Level**

There has been national investment in private banks and industrial enterprises to save them from default. In some cases, federal money has been given to enterprises in exchange for shares and some control over their administrative practices. Theoretically these provisions appear as loans, not nationalization. We have yet to see when these enterprises will be able to reacquire their shares. However, a new social culture is being introduced, stronger than state regulations, and that will certainly survive the crisis. There is keen attention to the swollen salaries of CEOs vs. the salaries of workers, a differential that has widened over the past 30 years.

Another new institution to watch is the strengthening of permanent bilateral and multilateral agreements amongst the world’s main capitalist countries. This is very different from the scenario of the 1930s, when Roosevelt provided his *New Deal* for the US and Hitler went for state capitalism and war to solve Germany’s crisis.

**What About the Future?**

What was, what is the main aspect of Soviet or Chinese Socialism? A government with all power presided over a weak civil society. American capitalism, however, is managed by a large layer of capitalist wage managers and interacts with a smaller layer of government managers, both responding to a strong democratic society.

The growth in number of the wage managers of capital in the capitalist system is a process related to the historical development of the American corporate system, which has since become a transnational system. These managers are university-educated technocrats, not as in the past when there were mostly family-owned firms. In the US, such capital managers move easily from the private to the public sectors, and back again.

China, with its socialist system, also has university-educated technocrats, paid by wages and serving in private or public enterprises, but not migrating from one to another as yet—although that may be coming.

In an age of hybridism and increased complexity, the future seems to promise a new world system with a fusion of socialist and capitalist components. Certainly, with the spread of free information and democracy, we may yet be capable of addressing the age-old problems of poverty and ignorance. Our past systems never could deal with this.
Bibliography


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