

The Trend of Global Capitalism

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All sovereign societies on earth can be put roughly into two categories: developed and under-developed countries. The developed countries, including the United States, Canada, most of west Europe countries, Japan and Australia, are all free capitalist society with a well functioned democratic government and a free market economic system. The under-developed countries, including Russia and east Europe countries, India, China, Mexico, South America and Africa, are relative poor, where capitalism has not yet developed into a healthy form. In Middle East, Israel belongs to well-developed camp but the rest goes to under-developed category.

In this essay I will discuss the history, the present and the future trend of politic and economic relationship between *developed* and *under-developed* countries. My purpose is to develop an intellectual framework, through which one could acquire a comprehensive understanding on basic characteristics of various human societies and their interaction in today's world: where they were from; where they are now; and where they are likely heading to in future. I will illustrate that there are three different systems in under developed world: the *under-developed capitalism*, the *totalitarian capitalism* and the *military imperialism* of developed countries in Middle East. Developed countries, in dealing with under developed world, are in a very much favored position. They are with full strategic initiatives in the on-going global politic and economic game.

The most serious threat to capitalist civilization remains to be the haunting ghost of Malthus, that is, the constraint of nature resources imposed on human activities and its ultimately disastrous consequence. Modern technology has based material productivity of human societies on consumptions of certain natural resources irreproducible on earth. Constraint on nature resources, in particular on the irreproducible energy resources, has imposed an ever increasing tension on relationships of all sovereign members of the international community. How to shift the base of modern economy from irreproducible to reproducible energy sources is a major challenge for capitalism of the world. A failure would lead eventually to a global economic stalemate and a general declination of modern civilization.

1. HISTORIC BACKGROUND

Backed by material and military strength acquired from industrial revolution, West Europe Capitalism in the nineteenth century was engaged in an imperialistic expansion. Resistance from under developed world was insignificant, so the conquerors quickly moved to conquer each other. They fought two devastating world wars in the first half of the twentieth century. After that, western powers re-evaluated their imperialistic policy and saw a fundamental dilemma. They consequently abandoned most of their imperialistic practice.

The dilemma is as follows. Traditional imperialism, driven by predatory human instinct, was purposed on confiscating wealth and acquiring tributes from conquered land by using brute military force. To an imperialistic capitalist, however, people of

under developed world were rather poor so there was not much to be confiscated to begin with. The economy of the conquered land was mostly agriculture of low productivity so there was not much tribute to be collected neither in long run. Imperialism of the nineteenth century was also driven by an instinctive impulse to compete for new consumption markets and nature resources. But low productivity implied low consumption, so the pre-industrialized societies were not much of a consumption market. Natural resources were always good to grab but let us remember that practice of imperialism also carried a substantial cost. If cost overtakes gain, then an imperialism policy would not be worth pursuing.

So to make modern imperialism work one would have to improve the overall productivity of the conquered societies, and to do so one would have to introduce to under developed world the new industrial technology. The question that followed immediately then was how to organize these new economic activities. Again, the only way a capitalist knew was free market system based on the principle of free competition and voluntary trading. But free competition and voluntary trading could not be forced on to slaves by an imposing master. Even if one could, such arrangement could not possibly make sense to an imperialist, for his role was to exploit, not to help local people.

Western capitalism also realized that the need for new consumption markets, for which they fought each other so desperately, could be done away with an improved domestic practice. Like Karl Marx, they thought that profit of their capital was from surplus values of the labor class, and they exploited that labor class by imposing low wages and long working hours. This consequently hindered domestic consumption, making further growth of the production side of the economic coin impossibly hard. They found that, by gradually increasing wages of the labor class, they could induce a strong domestic consumption market that would actually come back to stimulate the productivity of the economic system.

After two world wars, it was also clear that hostile competitions would lead to war. But modern wars, being devastatingly destructive, would benefit nobody at the end. So western capitalist societies, under the leadership of the United States, replaced their old doctrine of hostile competition by a new doctrine of coordination and collaboration. Anyway, capitalist societies, by then, were facing a serious common threat. They had to work together to fight the rising tide of Russia communism, which was gaining quick ground around the world in under-developed countries.

Twentieth century communism, in its essence, is a desperate and an ultimate reaction of non-capitalist societies to the traditional imperialistic policy of western powers. While capitalist societies were weakened by the world wars, Russian communists invented a totalitarianism that was most effective in mobilizing existing social resources. The communist government, under the dictatorship of Joseph Stalin, uprooted the pre-industrial agriculture system and forcefully labored industrialization in Russia for the purpose of creating a modernized military. Russian communism was embraced by the people of under-developed world with great enthusiasm. After the Second World War, the Soviet Union has expanded so much that it posed a serious threat to free capitalism. Totalitarianism, however, was a backward ideology that suppresses individual human creativity. In the capacity of independently advancing

overall material productivity of a given society, it was no match to free capitalism system in long run. Russian communism imploded at the end when its economy was broken under the competitive pressure of western capitalism.

With lessons learnt from the past and facing a living threat of Russian communism, western capitalist societies abandoned their old imperialistic policy and retreated from under-developed world after the Second World War. Externally, they fought in retreat against communist expansion. Internally, they shifted their energy to peaceful economic development, worked collaboratively to improve material productivity of the free world. Trading barriers were removed and multi-national corporations were established. Minimum salary for workers was gradually raised and working hours were cut down, resulting a healthy domestic cycle of producing and consuming. Much improved internal consumption market induced tremendous opportunities for future economic growth.

With increased material richness and an improved living standard for all, social tension originated from old class distinction was eased. Democracy worked better with a better educated population, and government started to regulate the predatory economic behave of profit seeking capitalist. Civil rights movement reduced social injustices of the past, and mild redistribution of wealth through welfare, Medicare and other social programs made absolute poverty a history. In a peaceful and happier world, profit for business also soared. By the time Russia communism collapsed, the world was truly divided into two. One was with a resilient political system and tremendous material richness; and the other was in a politic and economic turmoil.

From the end of the Second World War to the time Soviet Union imploded, the established policy of western capitalist societies towards under-developed world was as follows. First they treated the part that was under communist control as enemy territory that is out of reach. For the rest of under-developed world (with the exception of the Middle East region, where they can not possibly give up on oil), they would let local people decide their own fate provided that they were not joining Russia communism. Wherever communism emerged there would be a battle ground. Thankfully, both capitalism and communism understood that a global war would cause global destruction, so these battles were all kept as regional and fought only on limited scales.

Politically, free capitalist societies would support, in under-developed nations, whoever possessed strength and will to fight Russia communism. Economically, free capitalist societies would offer consumption goods in exchange for nature resources from under-developed nations. Here we must acknowledge that the adopted policy of western societies was not to promote capitalism ideology but to assist whatever ideology that was in place to fight communism; and their economic policy was aimed at controlling as much nature resources as possible. The well-beings of local people were not in consideration of such policy. One extreme example was Afghanistan, where western powers first supported forces representing extreme Islamic ideology rather forcefully to fight Soviet occupation, then left the people of Afghanistan in economic crumbles and to the hand of an extremely repressive religious regime after Russians were defeated. Even in South America, where Soviet threat was minimal, under-developed

nations were rather exploited than helped. These societies remained materially poor and politically unstable.

2. CAPITALISM IN UNDER DEVELOPED WORLD

With the collapse of Russia Communism, west capitalist societies were posed in an unprecedented favorable strategic position against under-developed world. A hostile, threatening military empire with a huge nuclear arsenal had evaporated almost overnight. Russian Communism, been perceived long in under-developed world as a successful social and economic practice in fighting the evil capitalist imperialism, had failed completely. Hostile attitude of the people in under-developed world towards capitalism, mostly originated from devastation and humiliation inflicted by imperialism of the nineteenth and the first half of the twentieth century had become a distant memory. Previously unreachable communist land, with its enormous nature resources, became rather inviting and was open to western capitalists.

For people in the land of failed communist system, an immediate need was to establish a new order to avoid a disastrous anarchy. An obvious choice for them was democracy and free market capitalism. A parliamentary political system was then put in place and capitalist economic system was introduced through an immediate privatization of properties owned by the previous communist state. Western capitalists offered to help, but came with a much different political objective of diminishing the possibility of a future return of a Russia empire. They dismantled highly developed military industrial system of the previous Soviet Union; substantially downgraded the Russia industrial ability. Taking advantage of the miserable economic situation of a collapsed state, they migrated the entire Russian science community to western world, reducing Russian academia into insignificance. At the end, a parliamentary political system and a privatized economic system were established but the previous communist countries were pushed backward into under-developed world.

Such capitalist system in under developed world, similar to many previously established in South American, Africa and India, is a mutant of western capitalism we would call henceforth the *under developed capitalism*. Parliamentary system in under developed world is ultimately inefficient in mobilizing existing social resources. Economically there is a lack of industrial technology and capital to advance productivity of the relatively poor society. Without substantial improvement on material productivity, a predatory ruling class would soon emerge to grab the limited social and economic resources, and people would be divided into a class of rich and powerful, and a class of poor and powerless. Ruling class would then strive to keep their existing social and economic prestige by using their established monopoly on social and economic resources, making serious economic progress impossible. Being poor, under developed capitalist society has nothing much to offer to western capitalists but its nature resource. Western capitalists would then offer advanced consumption goods to the ruling class in exchange. Very quickly, under developed capitalism reaches an equilibrium of rather low economic productivity, and this equilibrium is unfortunately quite stable.

The only way to break such economic stalemate would be for western capitalism to intervene with its capital and its advanced industrial technology. But where is

now the motivation? The absurdity of traditional imperialism has been universally acknowledged. Multi-national corporations have obvious better ways to make profit elsewhere than entering a poor society with an inefficient and corrupted government. They are not welcome anyway since the ruling class of an under developed capitalist society does not want change. For them the existing equilibrium is a heaven they would like to keep forever for their own enjoyment. Business seeks profit but in a hostile and uncertain political and economic environment, concern for the risk of a substantial investment would overtake the perspective of a reasonable profit. Substantial economic growth of under developed world would also induce severe competition for nature resources in future. In this case western capitalists would prefer to stay on the sideline. There then goes the established policy of western powers to under developed capitalist societies. That is to leave them alone.

It is interesting that, for economic development of an under developed nation, a totalitarian political system can actually do better than a parliamentary democracy. The difference is again at the ability of a government in mobilizing its social resources. The ruling regime of a totalitarian government, usually under the direction of a dictator, could be ruthlessly effective in focusing the energy of a nation towards an objective the dictator sees fit. Aimed at gaining economic growth, a totalitarian government can create an irresistible politic and economic environment for western capitalism to move in. This was what has happened in communist China. Under the pressure of an imminent collapse, Chinese communist regime, under the leadership of Deng Xiaopeng, opened the country and invited western capitalism to exploit its huge labor resource. They adopted an economic policy that is most favorable to foreign investment. The calculation of the totalitarian regime was to use foreign investment, with their advanced technology, to stimulate economic growth in China, then to use resulted material improvement to legitimize the privilege of the ruling regime.

The offer made by Chinese communist regime to western capitalists was simply to please bring in your technology and your capital to set up industrial process of production, and we would provide a disciplined labor force at a price next to free. Never mind the cost of maintaining social order. We would provide it to you also for free in the form of a tax exemption initially, then charge you with a regular tax bracket in long run, which you would have to pay for doing business in any part of the world anyway. The totalitarian regime introduced necessary internal reforms to facilitate the implementation of this stated policy, and western capital looked at such incredible offer with disbelief and suspicion, doubting not only the truth of the offer but also the long term viability of that totalitarian regime. Gradually, neighboring capital from Japan, Hong Kong and Taiwan took the bite. When they realized that the deal was for real, western capital flooded in, led by labor intensive and agriculture industry. The resulted economic growth produced substantial revenue for Chinese government, most of which they re-invested in building an industrial infrastructure for the country. They also restored the right of private property and a market of free competition gradually along the way, metamorphosed its central planned economic system into a system of *totalitarian capitalism*. Not only they avoided sharing the fate of their fellow Russia communists, but also they substantially improved their

own social and economic prestige. Rapid economic development also made China a worthier consumption market today to western capitalism.

For western countries, to have a generation of Chinese labor working for them almost for free in an orderly society has been a golden opportunity, better than any other they have caught previously in under developed world. The result is like that of an economic imperialism, from which an ever increasing stream of worthy tribute has been flowing in constantly for a duration of twenty plus years. However, there has been a catch. Western capitalism is now facing a totalitarian government in control of a significant financial and industrial capacity with a huge population. China starts to compete in under developed world for nature resources and inevitably, the current term of collaboration between totalitarian Chinese government and western capitalism would have to be re-negotiated. In reality, China has not yet evolved into a threat, but there is an unpleasant side that starts to show up.

Let us now shift our attention to the Middle East, where we have an entirely different situation. Western societies are gigantic machines running literally on the one substance oil, and the Middle East oil is a materially fatal spot for western capitalism. To keep their social and economic machine running, it is necessary for western powers to have absolute control on the oil production of the Middle East region. For the government of the United States, to firmly control this region, economically and politically, is not an option but an imposing responsibility. For the safety of entire western capitalism, the state of affair in Middle East region must be the one in which "what we say goes", as bluntly stated by Bush Sr. Now to control a foreign land with ultimate disregard of the right and interest of the local people is imperialism. But until the day a new energy source that is equally abundant in storage, equally cheap to produce, and equally efficient in usage emerges, western capitalism is hooked, and must insist on this imperialistic policy in this region at all cost. To argue for otherwise, in particular, to whine for an alternative policy on the behalf of the local people is to argue for self-destruction. In fact, Middle East was such a sensitive spot for western capitalism, that during the entire period of the Cold War, Russian never dared to really compete the western dominance in this region, for they knew that a serious challenge there would lead directly to an all out war. The fight in Middle East, starting from the very beginning, has been between western capitalism and the local people.

To practice imperialism one needed a crushing military force, so the state of Israel was conveniently established. The real problem was that we were no longer in the time of Rome Empire, and the traditional imperialistic method of a simple military occupation, in which naked force was used to set examples by brutal massacres of whoever dared to rebel was against certain core moral values western capitalist societies have gradually evolved at home. So a doctrine of divide and conquer was put in place and was carried out with subtlety. Existence of rebelling forces was in principle allowed, but against such rebel western powers would induce puppet opposing local forces of more or less equal strength. We then watched them fight until one side became strong enough to dominate a substantial part of the region. Then this local force would be treated as a potential threat, even if it was the one we induced into existence in the first place. Israelis would be prompted into action to diminish such

local power militarily to insignificance, for the presence of a rivalry local military force would pose a fatal threat to the State of Israel. To a common people in western society, people in Middle East appeared to constantly fight each other with ferocious atrocity for no obvious reasons. When Israelis did something appalling in the eyes of world opinion, there would always be the consideration for the right of the Jewish State to exist. Jewish people had suffered throughout history and this time they really did not deserve the perspective of a new Holocaust. Meanwhile, whatever we say did go, and Middle East oil were kept flowing in at the quantity and the price of our design.

This policy of modern imperialism has been carried out with great success all the way up to this point with perhaps only two exceptions. The first was the Yom Kippur War, in which a coalition of local military powers took strategic initiative, launched a surprising attack on Israel. It went almost out of control. The second was the Iranian revolution, which was the only major defeat of the western policy. When the Islamic revolution was finally materialized in Iran, it was way too powerful to be crushed by naked military force. Since then, the presence of that sizable regional force acting against the interest of western powers has been a serious problem. It was the ultimate reason for direct military actions of the United States in the last twenty years in the Gulf region.

People in Middle East region are a people of brilliance and historic proud. They saw through the disguise and looked at the source of their misery with extreme abhorrence. They have tried to fight back all along without much success. Failure after failure, they finally resolved in strap themselves with explosives to commit suicide, in the hope that they could also kill a few of their enemy. Unfortunately, terrorism can never win. It can only inflict retaliation. In desperation, they needed a source other than pure hatred to sustain even their own will to fight. But there was none for them in this world. They naturally turned to the world of religion, drawing the much needed strength from a spiritual source to sustain their will to fight back.

In summary, there are three very different systems in under developed world today. The under developed capitalism, the totalitarian capitalism and the western imperialism in Middle East. In dealing with all three, western capitalist societies are in a very much favored position and are with full strategic initiatives in the on-going global politic and economic game. Currently, they are relatively disengaged with the under developed capitalism; are watching with caution at a rising competitive threat from the totalitarian capitalism in China; and are fighting against the people of Middle East with a time-tested imperialistic doctrine. They see not much of a threat from the under developed capitalist societies. They are confident in their ability in handling the potential Chinese competition in future. And they can not possibly loss in the extremely uneven handed fight against the people of Middle East.

3. THE FUTURE TREND

I do not believe in a pre-determined fate for mankind. The future is resulted from actions of the present and different action would lead to a different future. Man interacts with his environment under the guidance of his intelligence. He relies on a mental framework to anticipate future possibilities, and he designs his action to

induce the possibility he deems the most desirable. On the other hand, the capacity of human intelligence is limited. Facing the vast, ever enwrapping darkness of the universe, human intelligence is like a feeble candle light, with which one can only see so far with clarity on what is coming on his way. I will try to look forward, nonetheless, with the help of that feeble candle light.

Capitalism, as a framework for mankind to pursue collectively a happier life on earth, has come a long way and has created marvels. However, it has not yet succeeded in escaping a shadow long projected by Malthus, that is, the ultimately disastrous consequence of the constraint of nature resources imposed on human activities. Modern technology has based material productivity of human societies on increased consumption of certain natural resources not reproducible on earth. Imperative need for these resources, in particular the energy resources, has imposed an ever increasing tension on relationships of all sovereign members of the international community. Existing energy resource is obviously not sufficient to sustain an equal material consumption for all, and hostile competition stimulated by the constraint on resources is likely to bring forth the dark side of humanity. This explains why western powers have behaved so reluctantly to share with under developed world the fruit of advancement of modern technology. They would rather keep these precious resources for themselves. The logic behind the course of their actions is irrefutable if we admit that self-serving is an intrinsic human nature.

The real issue is that, even if western powers are completely successful in carrying out their self-serving policy towards under developed world, they are only delaying the explosion of a time bomb that is intrinsically built into the system. The base of economic and social activities of the modern world has to be shifted from irreproducible onto reproducible energy source, though we do not know yet how and even how long it will take us to figure a practical solution out. Without a clear solution, resource constraint would eventually lead to hostile competition, resulting in a general declination of modern civilization. There is still time but the clock is ticking. On the other hand, one could only imagine the world of wonders when mankind is finally liberated from the pressure of a disastrous hostile competition caused by restraint of nature resources.

But until then, the United States will be compelled to maintain a military of monstrous strength, even in lacking of a worthy rivalry, to guard her global interest, that is, her ability to access and to distribute oil. She has no other option but to discourage economic growth in under developed world. Such policy is, ironically, in direct conflict with her established domestic moral value that recognizes preciousness and dignity of every individual human life. But for the people who are using equal human rights to fight the policies of their own government, please do understand that a life is precious only if a society is rich enough to afford to make it precious and for an empty stomach food is the good and dignity is talk. Economic prosperity is the foundation and a prerequisite for equal human rights. They would disappear all together in a global economic collapse if the oil of Middle East becomes inaccessible to western countries. Anyhow, without a clear solution to the problem of irreproducible energy, resource pressure would eventually propel hostile competitions that would end western civilization, a nightmare kind of possibility for future.

How about the people in under developed world? First, among all equilibriums of under developed capitalism, Russia is the newest and the most unstable. She is without a dragging population pressure, and she is with a huge reservation of natural resource, on which she is able to hold because she remains a nuclear power. As an aggressive and a talented people, in fact the most aggressive and the most talented, there will probably be a nationalistic movement aimed at restoring the old Russia glory, enough to perhaps to reverse the political system to totalitarianism. But a totalitarian capitalism of China type is almost impossible for Russia. People of Russia will not make the kind of sacrifice Chinese made voluntarily in last twenty years in exchange for foreign capital and foreign technique. Even if they would, western powers, with the nightmare of cold war still fresh, would not come. It is more likely that, Russia would be trapped in its current situation along with the rest of under developed capitalist societies. India is already trapped by, if nothing else, the sheer size of its population.

The economic growth in China, sustained mainly by exporting labor intensive products to the world, would soon face a saturated western market. As a new venue for growth, Chinese would have to rely more on internal consumption. To stimulate internal consumption, they would have to raise the wage of their labor class, making made-in-China less attractive in world market. Export would decline and import would rise. This probably would be the case in near future.

There exist, unfortunately, two obstacles for this healthy trend. The first is the dominating involvement of the totalitarian government in economic activities and the second is the pressure of resource constrain induced by China's huge population. So far, Chinese government has implemented a policy that encourages private capital to first exploit cheap Chinese labor for a profit in exporting business, then to invest the acquired capital to exploit the same labor class in building internal infrastructures. This is a predatory scheme, in which the totalitarian government and the private capital in China have formed an alliance in extracting surplus values of the Chinese labor class. This alliance would more likely to evolve into a ruling class, composing an extremely corrupted government and a parasitic private capital. The entire system is then more likely to evolve into an under developed capitalism. Where is the motivation for the ruling class to adopt a policy that grows the economy to benefit the labor class? What is the compelling reason for western capitalism not to support such state of affairs in China?

Assume that the above analysis is flawed, and Chinese decide to grow their economy by raising the wage of their labor class. Then the pressure of resource constraint induced by a huge population would be rapidly intensified. China can buy from Russia for temporary relief but to sustain a substantially improved living standard of one and half billion people is almost impossible. When China starts to seriously compete for resources on global market, western powers would react to suppress the China growth. A hostile fight, not necessarily military, would hurt both side, resulting more likely a severe declination of the Chinese economy. Chinese government could also continue its radical population policy of one child per couple for one more generation or two to reduce the ever mounting population pressure. But, besides the murderous

implication of such cold blooded policy, it would also cause unforeseeable economic and social problems.

Finally we turn to the terrorism in Middle East. In the fight against imperialism policy of the United States in Middle East, there is no worse tactic than an active terrorism on American soil. The 911 terrorism has helped greatly the imperialism policy of the United States. Using 911 as an excuse, Americans replaced a hostile local military power with a direct, substantial military presence in Iraq. The long lasting problem for American imperialism caused by the Iranian revolution is then resolved. Americans have also substantially tightened its control on regional finance, under again the excuse of fighting 911-terrorism. 911 practically silenced internal criticism to American's pro-Israel policy, consequently encouraged the aggressive behavior of Israelis towards its neighbors. What does it really achieve? It was a big ouch and it has forced all Americans to take off their shoes before boarding their airplanes.

One can not fight a super power with a direct hit to its strong hold and expect a real victory. The weakest spot of western capitalism is not on their soil. It is in Middle East, and more precisely, it is the Saudi oil field. Local fighters also need to be more realistic on their objectives. American will withdraw when the oil reserves are emptied, or when they do not need oil anymore, but can not be forced out earlier. A realistic goal would be to use the threat of an Islamic revolution to compel local governments and Americans to work together to introduce real industrial technology to Middle East. It is important, not only for the current interest, but also for the future of the local people that this region could be evolved into modern societies with a sound industrial infrastructure. A backward, welfare state such as the current Saudi Arabia is poison. But this is not going to happen and I can only watch with sympathy into a sad present and an even more pessimistic future for the local people engaged in their fight.