

## **Postmodern Empire: Dependence, Debt and the Nature of Anti-Globalist Resistance**

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Since decolonization became the global norm after World War II, the developing world found itself, with few exceptions, still under the control of powerful regimes. By the late 1980s, the belief that cooperation with the world's major banks is the only realistic option became dominant. This view has been created by the force of events rather than through ideological commitment. The belief that becoming part of, rather than opposing, the present concentration of global economic power is the desire to benefit from “the global economy.”

The developing world, it should be noted, includes Bulgaria, Portugal, Moldova, Belarus and Ukraine, just to name a few. It is not just non-European states, while many Asian states such as South Korea are first world in all respects. Given the world's current financial structure, eastern European states are peripheries of global capital no less than Mali or Togo. The division of the world between a few dominant elites in the post-industrial world and the rest of the planet (including the majority of their own citizenry) is so clear and obvious that he requires no further description. Dependency is not an aspect of global capitalism, it IS global capitalism.

### *The State: Globalization and Regionalization*

Globalization is the phenomenon where economic elites seek the creation of a single, global society ruled by a financial oligarchy with no national foundation. While there can be no debate that such a world is in the interests of global capital, justifying such an order demands ideas taken from an artificial, faux-morality and grafted onto purely economic demands.

The New World Order, a slogan coined by George Bush after the Cold War ended, is chiefly an economic idea. It seeks to built a global society based on the rapid movement of both labor and capital – giving corporations unimpaired access to resources, markets and low-budget labor. “Global governance,” therefore is a mystification – it seeks to couch the language of economic self interest in the form of moral imperatives.

The modern concept of the state is based on the legal reality of one organization having a monopoly on the use of violence. The state retains this monopoly, but it does not imply that the state is the dominant coercive unit on the globe. In the post-industrial west, the state is just one element in the security apparatus of global capital.

No meaningful politics can be local if capital is global. Yet, this is only part of the equation. The major firms who finance the major parties in the west are not national concerns. A meaningful politics cannot be separated from the power of capital regardless of who controls it. The ingredients of imperialism that Vilas and Perez (2002) describe is no different than the concept of the New World Order announced by Bush in 1991. Moving manufacturing to the periphery is a means to lower labor and resource costs, while creating new foreign markets.

For much of the 20<sup>th</sup> century, the concept of imperialism has been rejected. The British empire was once a point of pride – it proved the superiority of the British elite. Today, it is an embarrassment, since it proved its supremacy only by exploiting weaker societies. While often ignored in the literature, there was never a time when capitalism was “national.” It was international long before, since resources extracted from elsewhere on the globe were required

for capitalism to develop. The national idea existed despite, not because of, capitalism.

The regional idea, however, is one means of altering the nature of the global regime. For example, Russia and China are linked by both political interest and comparative advantage. China's light industry and Russia's raw materials work well to create a new, "Eurasianist" trading bloc that can successfully challenge the EU or US. Ethnic nationalism in all its forms has become "Public Enemy Number One" for both liberal and conservative factions in the west.

Given the developing Eurasian idea (and similar ideas in Latin America and elsewhere), the US will be forced to go even deeper into debt in order to continue to rule the system. If this proves impossible, then regional power centers like China, Russia or Nigeria will grow in stature. Again, politics is not local, but there is some reason to believe that it will become regional. If the US is challenged successfully, then this may well lead to the state having a new lease on life. At least large and powerful states like China or Russia will maintain their sovereignty as the US weakens. In this case, politics will become regional or national only if state elites are capable of forcing their will on economic elites.

Since in China and Russia are state-centered (that is, elite control is from the security services or the party), economics will be forced into a national and regional form. The present Euro-crisis may give the third world another chance for unity against capital. The weaker the center, the stronger the periphery. Radical provisions like expropriation and import substitution might become mainstream options if the "center" continues to weaken. "Free trade depends" on force. If that force weakens, or is perceived to be crippled, then protection and regionalism will have a new focus.

Western democracies are "democratic" only in that the party elites are periodically elected. This does not have any impact on the bureaucracy or judiciary, nor the economic elites whose interest is global. Only governments that have deliberately pursued a state-centered policy can be seen as making politics truly local and hence, more responsive. Democratic rule empowers those who finance campaigns, parties, and media. Democratic politics is really just a business expense for the bourgeois rulers.

### *Debt, Austerity and Global Coercion*

Dependence is partly based on the use of debt as both a weapon for control and its very framework. Debt is by definition a transnational issue, since debt owed by countries is always to a consortium of domestic and foreign bankers. High levels of debt in one country spillover into the economic performance of its neighbors. As austerity measures are imposed on states with high rates of debt, their economies get worse and debt rises.

The first response to large levels of debt is austerity. This gives the impression that the economy is getting its house in order so as to become again a reliable business partner. Austerity demands large cuts in state spending, and, more importantly, a regime of open trade so creditors can take control over assets that can be sold off or merely taken (Nelson, 2013).

Austerity has a tendency to backfire. This is because in a weak economy, the imposition of austerity can actually increase debt. It is increasingly seen as irrelevant to debt repayment, especially when it is the long term value of the debt that ends up being the most important. The real problem is that, while austerity shocks (that is, imposed swiftly) can lower debt, it only does so in the short term. In the long term, debt increases because austerity almost always slows economic growth. If rates are kept low, this can be mitigated, but that is a bit if. The best response is probably to increase short term growth (Panizza, 2010).

In terms of conflict theory, there are many approaches to take. The basic fundament is that austerity is the wrong approach because it primarily hurts poor and middle class workers. Since they are largely excluded from the profits of industry, forcing them to bear the brunt of the banker's mistakes is a problem. At the same time, the same lower classes are also called upon to pay the interest on the loans on capital that economic growth requires (Ó Croidheáin, 2013). In 2012, the National Institute of Economic and Social Research claimed that even with low rates, austerity measures are ineffective and increase debt (while fighting growth). In Europe, austerity measures have increased debt across the board, with the exception of Ireland, and have kept unemployment rates high.

Here's the problem: austerity does not work because it is based on a "normal" approach to economics. When times are normal and growth is acceptable, austerity will lower debt. But the economic problems that often cause debt in the first place ensure that austerity will not work: it will both increase debt and further depress the economy.

When economies are struggling, unemployment is high. Most people find themselves short of cash. If the problems occur over a long period of time, there is no evidence that consumption patterns ever recover. In Europe, since austerity is being imposed all at once, this means that the EU is seeing a massive slump in production, further increasing unemployment.

Therefore, one can conclude that austerity as a response to debt represses growth. If sources of credit are harmed due to default or restructuring, this does little but increase the problem. When austerity is aggregated, that is, when it is imposed on many countries at once (as now in Europe), it increases the depression of growth even further.

In terms of default, the normal definition is that it is a perception that the state in question cannot pay its debts. This is from the point of view of its creditors. There is a limit to which a state can borrow beyond which it cannot pay. Above this limit, default occurs. Under this limit, and if there are no economic shocks, investors have full confidence in the ability to be repaid (Cherif, 2012).

States that default usually go further into depression. Credit dries up and the chances for recovery in the future are minimal. Austerity might delay the crisis, but since its inversely related to growth, it just makes things worse in the long run. As default looms, credits may well raise interest rates, making default more likely.

If repayments are taking up a high percentage of GDP, things can go smoothly so long as the economy grows and the state's neighbors are doing well. But the existence of any shock (like the housing bubble in the US, burst in 2007), sends the economy into a tailspin. This is because, as credit markets contract, suddenly, the delicate balance of debt and growth has been overturned. Less credit is available. As the country "rolls" its debt over, it just stretches out the time of repayment and increases the interest. This continually increases the misery of the economy in general (Furth, 2012).

Since there is no accepted bankruptcy regime for states in default, creditors seem to be in charge, leading to a loss of sovereignty for the affected state. Domestic unrest, increasingly, is almost inevitable. This means that affected states need to work out restructuring plans as quickly as possible. In fact, creditors can sue the offending states for at least partial repayment, which can destroy any restructuring agreement (Goldmann, 2012).

States deep in debt can be barred from foreign sources of capital. Assets of the offending state can be seized despite the formality of sovereign immunity. Many governments are forced to waive this legal right so as to retain their position in credit markets. The threat of exclusion from money markets is the primary weapon of creditors against indebted economies (Wright, 2012).

However, this threat is normally not credible because it injures creditors and does nothing to help the indebted country. This does not mean the weapon itself is ineffective (Panizza, et al 2010 and Schclarek, 2005).

*Anti-Globalist Resistance, Mercantilism,  
and the Legacy of Hugo Chavez*

Over the decades, the third world has attempted to build a rational resistance to globalization. This resistance, broadly speaking, has been designed to create the internal conditions necessary for a country to develop largely of its own resources, or that of its cultural region. In other words, the country, disadvantaged against the developed world, wants to protect its industries and develop according to the needs of its own population rather than the demands of global markets. The strong state, matched by regional cooperation in trade, seems to be a viable form of resistance. This is slowly developing into an area where the third world can begin building its own institutions rather than consistently requiring the approval of more developed powers.

Mercantilism as an economic idea is normally associated with the growth of the state and the centralization of bureaucratic rule. In trade policy, the growth of these institutions fostered a plan of action seeking to monopolize as much economic activity as possible. Yet, a neo-mercantilist position is growing among societies that see economic leverage as a means to increase state power. In cases like China or Putin's Russia, neo-mercantilism is about using light manufactures (such as in China), or raw materials (such as in Russia), to act as leverage against international banks and the use of debt as coercion.

Such a policy can only exist when the hegemonic power of the dominant, free-trade regime begins to wane. As the US as the present hegemon, is weakened under the pressure of debt and domestic division, countries such as China are pursuing a mercantilist line (Shepherd, 2005).

More radical writers in political theory such as Haywood Alker have called this approach "Collective Self Reliance." The object is to create a large and diversified market that can eliminate dependency on outside powers and serve to localize development. This set of policies imply "inter-dependency" rather than the subordination to the wealthier economies which distorts local development (Alker, 1981).

Alker describes "Corporatist Authoritarianism" as the desire to create a market that is insulated from the demands of the post-industrial elite. What this requires is a strong state, a charismatic leader and a nationalist focus. Production should then be "targeted" to specific economic sectors. This has been successful in Japan and Belarus, just to name two examples.

In other words, real independence requires policies that respond to local needs rather than global demands. However, it is more than appropriate to discuss a recent successful form of resistance, that of the late Hugo Chavez. Of course, he is intimately connected to Venezuelan politics and the alternatives to the Washington Consensus. President from 1999 until his death from cancer in 2013, Chavez sought to create a balanced modernization of Venezuela and lay down an example of non-dictatorial populism in Latin America.

Chavez refused to follow the dictates of either the IMF or the World Bank. He distributed unused land to poor peasants. He refused to guarantee the profits of American oil firms. Foreign capital had to contribute more to local economics and share profits. Chavez sought ties with OPEC. He created a new sources of credit such as the "Bank of the South," which was to guide

nonindustrial economies on national, rather than global, production.

Prior to 2000, Venezuela had accepted the typical liberal policy of privatization and democratization. The result was disaster. Chavez sought a path of “endogenous development” rather than a return to nationalization. Not unreasonably, Chavez wanted an economics that chiefly profited Venezuela and healed the distortions of dependent development. Other than land reform, the center of his agenda was the creation of cooperatives. In each sector and region, cooperative enterprises were made up of sector-specific labor with some state assistance.

Cooperatives were to slowly remove the profit motive from economics. In addition, revenues were to stay local, empower workers and show that a government not need become an perpetual handmaiden to US banks to become prosperous. Cooperatives took over from firms in the oil, sugar and food industries, and were able to provide local services, in some cases, at a fraction of the cost that a normal corporation would require (Wagner, 2005). They were what used to be called “syndicates” and became part of a nationalist revolution.

Since 2000, private capital had been selectively expropriated, though Caracas has reimbursed them. Cooperatives were thus financed partly by the state, and partly by capital taken from the private sector and granted to the syndicate. By 2006, there were well over 100,000 cooperatives officially registered with the state in every sector.

Christopher Clement, writing in *Latin American Perspectives*, remarks,

U.S. democracy promotion was and continues to be grounded in a new ideological zeal for democratic governance as an essential and indispensable element of free markets and regional security in a post-cold-war order. Democratic governance was conceived as a moderate political model that would be an alternative to the authoritarian extremes of left and right. But as political liberalization expanded and included previously marginalized social actors throughout the 1990s, market liberalization faced greater contestation. The rapid and deleterious effects of global economic integration contributed to the growth of militant labor and peasant groups and radicalized indigenous movements, which challenged traditional parties for political space (Clement, 2005).

There can be no question that “democracy” is most accurately defined in economic terms. Pro-US parties from Russia to Venezuela have been financed by the National Institute of Democracy and a host of less public NGOs. This is economically significant because the methods to halt Chavez's reforms, harm the economy, and reverse Venezuelan economic growth over the last decade have not done much damage.

GDP growth under Chavez has been impressive. The state's role is crucial in Venezuela's resistance as well as resistance to globalization elsewhere. As Venezuela is small and vulnerable, the state was and is required to protect the country from rapacious economic power. Protecting Venezuela from the fate of Russia in the 1990s is a worthy goal. Since capital is scarce in the developing world, state financing of indigenous companies and cooperatives is critical to the revolution's success.

According to the World Bank, 2003 was a challenging year for Venezuela, where the economy contracted by 3%, but this was also the year of the US-sponsored coup that led to Chavez's kidnapping. In 2004, everything changed: growth increased 18%, 10% for both 2005-2006, and 9% for 2008. As the US economy imploded, Venezuela suffered along with it, its economy shrinking by 4% until 2011, where it rebounded by 4%, then 6% in 2012.

The percentage of the population living below the poverty line went from almost half in 1999 to 25% in 2012. Since this too, does not take the informal (black) sector into account, the percentages are probably an exaggeration. The same goes for unemployment, which followed GDP growth. In 2003, it stood at 18%, but by 2012, it was at 8% (Jaua, 2011).

### *Conclusion*

Trade policy and global governance are not separate ideas. While globalization is a broader, more “normative” approach to things, trade policy is more mundane. In other words, trade policy is a specific cause (and effect) of globalization. Trade policy for small states in the third world (and small states in the developed world too) will be dictated by the center, so long as its stranglehold on debt control continues.

The concept of sovereignty under globalized rule goes from the government and nation to private and foreign elites with no home base or loyalty. State-centered economies such as the Chinese are succeeding in keeping surplus value at home. As the US continues to weaken, the Eurasian idea, as well as the legacy of Chavez in Latin America, will continue to develop.

In the past, a colonial regime was a direct assault on the sovereignty of a society. Today, it is indirect, based on debt and foreign investment. “Local autonomy” is tolerated so long as it has no economic significance. Today, “imperial” is the same as “global.” Popular government is automatically eliminated when the mobility of money and capital becomes as rapid and international as it presently is. While the population might go to the polls to vote on media-approved candidates, the actors who then take “power” serve as window dressing for more shadowy elements concerned with their own interest. That is globalization.

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