The Centrality of the State in the Contemporary World

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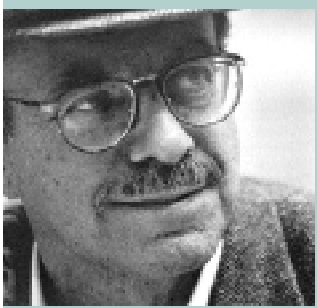

This essay will proceed by discussing and criticizing the unsubstantiated arguments of the globalist theories and then proceed to detail and discuss the significance of the state in the contemporary world, regional and local economies. The third section of the essay will present an explanation of the reasons for the growth of statism in the neo-liberal economies of the world.

February 2002

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1. Introduction

One of the most pervasive and insidious myths of our times is the idea that we live in a world without nation-states.[1] Nothing could be further from the truth. In all regions of the world the state - whether imperial, capitalist, or neo-colonial - has been strengthened, its activities expanded, its intervention in the economy and civil society ubiquitous. The state in the imperialist nations - what we call the imperial state - is particularly active in concentrating power within the nation and projecting it overseas in a great variety of institutions, economic and political circumstances and establishing vast spheres of influence and domination. The United States imperial state (IS) leads the way, followed by the European Union (EU) led by Germany and France and Japan. The power of the imperial state is extended to the international financial institutions (IFI) like the International Monetary Fund (IMF), the World Bank (WB), the Asian Bank (AB), the World Trade Organization (WTO), etc. The imperial states provide most of the funds, appoint the leaders of the IFIs and hold them accountable for implementing policies that favor the multi-national corporations (MNC) of their respective countries. The advocates of world without nation states or globalization theorists (GT) fail to understand that the IFIs are not a higher or new form of government beyond the nation-state, but institutions who derive their power from the imperial states.

This essay will proceed by discussing and criticizing the unsubstantiated arguments of the globalist theories and then proceed to detail and discuss the significance of the state in the contemporary world, regional and local economies.[2] The third section of the essay will present an explanation of the reasons for the growth of statism in the neo-liberal economies of the world.

2. Myth of "World Without Nation-States". Arguments

The advocates of the thesis of a "world without nation-states" what we will call "globalist theorists" start from a set of very dubious assumptions. There are variations and nuances among them, some arguing that the nation-state is an anachronism, others arguing that it is declining, others that it is no longer a reality. While these differences continue to provoke debate, what is more significant is the common assumptions that inform globalist theorizing. These questionable assumptions include the following:

<u>Assumption 1:</u> MNC are global corporations which have no specific location in any particular nation-state. They form a new world economy divorced from national controls and are part of a new world ruling class. This assumption is based on the fact that large scale corporations operate in a number of countries, they are mobile and they have the power to evade taxes, regulations in many national jurisdictions. There are several conceptual and empirical problems with this assumption.

First, the fact that MNCs operate in many countries does not detract from the fact that the headquarters where most of the strategic decisions, directors and profits are concentrated are located in the U.S., E.U. and Japan.[3]

Secondly, mobility is based on strategic decisions taken by directors in the headquarters in the imperial centers. These decisions depend on the political and economic conditions created by the imperial state and its representatives in the IFIs. Mobility is contingent on inter-state relations.

Thirdly, evasion of taxes and regulations, is possible because of deliberate policies in the imperial states and their multi-national banks.[4] Non-enforcement of laws against transfers of illicit earnings from the neo-colonial countries to the imperial states is a form of state activity favoring large scale concentration of wealth that strengthen the external accounts of the imperial economies. The MNCs'flouting of neo-colonial state regulations is part of broader set of power relations anchored in the imperial, neo-colonial state relations.

Assumption 2: The old nation-state governments have been superseded by a new world government, made up of the heads of the IFI, the WTO, and the heads of the MNCs. This is an argument that is based on a superficial discussion of epiphenomena, rather than a deeper analytical view of the structure of power. While it is true that the IFIs make many important decisions in a great many geographical locations affecting significant economic and social sectors, these decisions and the decision-makers are closely linked to the imperial states and the MNCs which influence them. All top IFI officials are appointed by their national/imperial governments. All their crucial policy guide lines that dictate their loans and conditions for lending are set by the finance, treasury and economy ministers of the imperial states. The vast majority of funds for the IFIs come from the imperial states, representation on the executive board of the IFI is based on the proportion of funding by the imperial states. The IMF and the WB have always been led by individuals from the U.S. or E.U.[5]

The globalists' vision of IFI power is based on a discussion of derived power not its imperial states' source. In this sense, international power is based in the imperial states not supra-national entities. The latter concept grossly overestimates the autonomy of the IFIs and underestimates their subordination to the imperial states. The real significance of the IFIs is how they magnify, extend and deepen the power of the imperial states and how they become terrain for competition between rival imperial states. Far from superseding the old states, the IFIs have strengthened their positions.

Assumption 3: One of the common arguments of globalist theorists is that an information revolution has taken place that has eliminated state borders and created a new global economy. GT argue that a new technological revolution has transformed capitalism by providing a new impetus to the development of the productive forces. The claims that information technologies have revolutionized economies and thus created a new global economy in which nation states and national economies have become superfluous is extremely dubious.

A comparison of productivity growth in the U.S. over the past half century fails to support the globalist argument. Between 1953-73, before the so-called information revolution in the U.S. productivity grew an average 2.6%; with the introduction of computers productivity growth between 1972-95 was less than half.[6] Even in the so-called boom period of 1995-99, productivity growth was 2.2% still below the pre-computer period. Japan which makes the most extensive use of computers and robots has witnessed a decade of stagnation and crises. Between the year 2000-01, the information sector went into a deep crises, tens of thousands were fired, hundreds of firms went bankrupt, stocks dropped in value some 80%. The speculative bubble, that defined the so-called information economy, burst. Moreover, the major source of growth of productivity claimed by the globalists was in the computerization of the area of computer manufacture. Studies have shown that computer use in offices is directed more toward personal use than exchanging ideas, estimates run up to 60% of computer time is spent in activity unrelated to the enterprise. Computer manufacturers account for 1.2% of the U.S. economy and less than 5% of capital stock.[7]

Moreover, the U.S. population census provides another explanation for the higher productivity figures - the 5 million U.S. workers - mostly illegal imigrants who have flooded the U.S. labor market in the 1990s. Since productivity is measured by the output per estimated worker, the five million workers uncounted workers inflate the productivity data. If the five million is included the productivity figures would deflate below 2%.

With the decline of the information economy and its stock valuations it becomes clear that the information revolution is not the transcendent force defining the economies of the major imperial states, let alone configuring a new world order. The fact that most people have computers and browse, that some firms have better control over their inventories etc. does not mean that power has shifted beyond the nation-state. The publicists'claims about the "information revolution" ring hollow, as the investors in the world stock markets shift funds toward the real economy and away from the fictitious high tech firms which show no profits and increasing losses.

Assumption 4: Related to the prior assumption, the globalists argue that we are living in a New Economy that has superseded the Old Economy, of manufacturers, mining, agriculture and social services. According to the globalists the 'market' creates 'real democracy' in which 'ordinary people' make choices about their futures, and the new efficiencies produced by the new technologies ensures high growth. The recession of late 2000-2001 certainly refutes the claims of the New Economy ideologues: the business cycle continues to operate and, moreover, the cycle is particularly accentuated by the highly speculative nature of the 'New Economy'. As it turns out, the 'New Economy' demonstrates all the features of a volatile speculative economy, driven by exorbitant claims of high returns. In the absence of profits or even revenues, it turns out that much of what was touted as a 'New Economy' was a colossal financial swindle, where the high returns to the early investors led to financial ruin to the later investors.

The new efficiencies promised by the 'New Economy'publicists could not resist the logic of the capitalist business cycle. "Just in time production" was premised on stable and continuous growth of demand: the recession of 2001, the sudden decline in demand, led to an accumulation of inventories among producers and sellers, and the resultant lay-offs. Cash-flow problems, increased indebtedness and bankruptcies characteristic of the "Old Economy".

It is clear that the so-called "New Economy" does not transcend capitalist crisis, in fact it is more vulnerable and has fewer resources to fall back on since most of its cash flow depends on speculative expectations of continuous high returns. The sharp decline in commercial advertising earnings on the web sites and the saturation of the computer market has led to a structural crisis for producers of hardware and software, leading to a giant shake-down in the 'industry' — the exorbitant 'paper value'of the stocks have tumbled to a fraction of their value and the major Internet companies are struggling to survive, let along define the nature of a 'New Economy'.

Assumption 5: Some globalist theorists like Toni Negri write of an 'imperial system' as opposed to imperialist states — as if one could exist without the other.[8] The 'system'has no 'center' since all states have lost their special significance before the all powerful MNCs who dominate markets. Systems approach fail to recognize the class and institutional power of nationally owned and directed banks and industries. Even more fatal, the systems theorists fail to link the structures, operations, legal codes and linkages between imperial states, the multi-national corporations and their offspring in the IFI's. The vast reach of their power concentrates of profits, interest, rents and royalties in the imperialist countries. The 'system'is derived from and is sustained by the combined forces of the imperial states and their MNCs. To abstract from the specificities of ownership and state power in order to describe an imperial system is to lose sight of the basic contradictions and conflicts, the inter-state imperial rivalries and the popular struggles for state power. The chimera of 'state-less empires' contains the same problems as the notion of a 'world without nation-states' — it exaggerates the autonomy of capital from the state and parrots the false propositions of the "free market ideologues" who argue that the "market" (or in the words of Negri — the "collectivist capitalist") dominates the imperialist system.

Assumption 6: The 'globalists' operate at a level of abstraction in defining the configurations of power to such a degree that they amalgamate the most significant variations in regimes, states, class configurations. As a result, they do not have a very convincing conception of socio-economic change. The most egregious misconception is in the world system approach,[9] with its categories of 'core'or 'center' and semi-periphery and periphery. This type of simplistic abstract stratification of the world economy and power, subordinates the dynamic of class relations to a static distribution of market shares. The abstract categories obscure fundamental differences in class interests between nations in each category, differences that determine how market shares are distributed within nations, the ownership of property, living standards, as well as differences between dynamic and stagnant countries. More fundamentally, by looking at market positions, the globalists overlook the ubiquity of the state in preserving and challenging the relationship between states and economies and reconfiguring the world economy.

3. The Centrality of the State

In the contemporary world the "nation-state" in both its imperial and neo-colonial form has multiplied and expanded its activity. Far from being an anachronism, the state has become a central element in the world economy and within nation-states. However, the activities of state vary according to their class character, whether they are imperial or neo-colonial states.

Imperial States

In recent years the centrality of the imperial state[10] has been evidenced in fundamental areas of political-economic, cultural and economic activity that buttress the position of the imperial powers, particularly the U.S.

Crisis Management

Over the past decade several major financial and economic crises have occurred in various regions of the world. In each instance, the imperial states, particularly the U.S. state, have intervened to save the MNC, and avoid the collapse of financial systems. For example, in 1994, when the Mexican financial system was on the verge of collapse, then President Clinton intervened to dispatch $20 billion to the Mexican State to bail out U.S. investors and stabilize the peso. In the second instance, during the Asian crisis of 1998 the U.S. and European governments approved an IMF-WB multi-billion dollar bail-out in exchange for opening the economies, particularly South Korea, to foreign take-overs of basic industries. In the Brazilian crisis in 1999 and the Argentine crisis in 2001, Washington pressured the IFI's to bail-out the regimes. Within the U.S. the threatened bankruptcy of a major international investment bank, led to Federal Reserve (central bank) intervention, pressuring a private bank bail-out. In a word, with greater frequency and with greater resources the imperial state has played a dominant role in crisis management, saving major investors from bankruptcy, propping up insolvent MNCs and preventing the collapse of currencies. More than ever the MNCs and the so-called "global economy" depends on the constant massive intervention of imperial states to manage the crisis, and secure benefits (buy-outs of local enterprises).

Inter-imperialist Competition

The competition between rival imperial powers, and MNC's has been essentially spearheaded by rival imperial states. For example, the U.S. imperial state is leading the fight to open European markets to U.S. beef, U.S. exports of bananas from South and Central America, while the Japanese and the European states negotiate with the U.S. to increase the 'quota' on a series of exports, including steel, textiles, etc. Trade and the markets are largely defined by state to state agreements. 'Globalization' is not only a product of the 'growth of the MNC', but largely an artifice of state to state agreements. The competition between capitalist terms is mediated, influenced, and directed by the state, the markets do not transcend the state, but operate within state defined boundaries.

Conquest of Markets

The state plays a pervasive and profound role in the conquest of overseas markets and the protection of local markets. In the first instance, the state provides indirect and direct subsidies to export sectors.[11] In the U.S., agricultural exports receive subsidized water and electrical power, and export subsidies in the form of tax relief. Secondly, the imperial state via IFI pressures loan recipient states in the Third world to lower or eliminate trade barriers, privatize and de-nationalize enterprises through conditionality agreements. This allows U.S., European and Japanese MNCs to penetrate markets and buy local enterprises. Most exports are financed by agencies of the State. So-called "globalization" would not exist if it were not for state intervention, nor would the markets remain open if it were not for imperial state military and electoral intervention, political-economic threats or pressure and recruitment of local clients. Imperialism takes many forms, but pursues similar goals: the conquest of Third World markets, the penetration of competitors' economies and the protection of home markets. The U.S., Europe and Japan have elaborate sets of trade barriers in a wide range of product areas of strategic importance: auto imports are limited by quotas, as are sugar, textiles, steel, etc.[12] There are a multiplicity of non-traditional constraints and informal agreements that limit export countries from entering U.S. markets — all negotiated on a state to state basis. In many cases, in its dealings with neo-colonial regimes, like Brazil under Cardoso, the U.S. state rejects reciprocity, demanding and securing the liberalization of the information industry while restricting Brazilian steel exports, on the bogus pretext of "anti-dumping" charges.

Trade Agreements

All the major economic agreements, liberalizing trade and establishing new investment regulations are negotiated by the states, enforced by the states and subject to state modifications. GATT, WTO, Lome, etc., which established the trade rules and framework for 'global trading networks were formulated by the states. In addition, bi-lateral as well as regional multi-lateral trade pacts, such as NAFTA, LAFTA, etc. are initiated by the imperial state to open new markets for their multi-nationals. The imperial state operates in synergy with its multi-national corporation. The "expansion in markets" has nothing to do with multi-national corporations superseding anachronistic states. On the contrary, most movements of capital to new markets depend on the state intervening to knock down barriers and in some cases destabilize nationalist regimes.

Investment Agreements

The new multi-lateral and bi-lateral investment agreements are formulated at the state level with the agreement and active participation of the MNCs. The reason is clear: the MNCs want state participation to guarantee that their capital will not be expropriated, subject to "discriminatory" taxes, or restricted in remitting profits. The state is the enforcer of investment guarantees, a crucial element in corporate investment expansion. In many cases, the imperial states use their representative in the IFI to impose new investment codes as conditions for 'stabilization' or development loans.

Protection, Subsidies and Adjudication

The imperial states of EU impose powerful protective barriers for their agricultural products. The U.S. and European state's heavily subsidize agriculture with low rates for electricity and water use. Research and development of new technology is heavily financed by the state and then turned over to the multi-nationals. At each stage prior to, during and after the expansion of MNC in the international market, the state is deeply implicated. Moreover, where national enterprises are non-competitive, the imperial states invent pretexts to protect them from more efficient producers. Japan protects its rice producers, even though their price is ten times more costly to consumers. The U.S. provides huge subsidies to agro-business California exporters in the form of research, cheap water rates and loans tied to the purchase of U.S. grain exports. EU subsidizes the formation of its high tech industries, agriculture, etc.

Statism or neo-statism is the centerpiece of the 'global expansion'of MNCs. The state has grown, its reach has been expanded, its role in the international economy is essential. The empty rhetoric of 'free markets'promoted by conservative ideologues has been consumed and parroted by the 'globalist'Left. While the Left talks abut the declining role of the state, the Right has been active in promoting state activity to further the interests of the MNC's. While the Left talks of 'globalization' of markets, the MNC's from the imperial countries and their states carve up the markets, enlarging their spheres of domination and control.

Above all the imperial state is not simply an economic institution; the overseas expansion of the MNCs is heavily dependent on the military and political role of the imperial state.

Expansion of Political and Military Power of the Imperial State

The overseas expansion of the MNCs has been made possible by the military-political expansion of Euro-American imperialism via NATO and surrogate armies in Southern Africa, Latin America, and Asia. In Russia (the former USSR) and Eastern Europe, client regimes have been sponsored and supported by the imperial states, laying the groundwork for the take-over of a vast array of strategic industries, energy sources, etc. The U.S. imperial state's triumph over the USSR provided the impetus for dismantling the welfare states in Europe and what pretended to be a welfare state in the U.S. The Euro-American wars in the Gulf and Balkans consolidated the imperial states' dominance and extended their influence over dissident states. The de-stabilization of the former Communist regimes, the destructive wars against nationalist regimes in Southern Africa, Latin America and elsewhere opened these regions to neo-liberal policy prescriptions. Imperial military expansion directly related to state military apparatuses accompanied and promoted MNC overseas expansion. So called globalization grew out of the barrel of a gun - an imperial state gun. To further protect overseas capital, the U.S. and the E.U. have created a new NATO doctrine which legitimates offensive wars, inside and outside of Europe against any country which threatens vital economic interests (their MNCs).[13] NATO has been expanded to incorporate new client-states in Eastern Europe, and new "peace associates" among the Baltic states and the former republics of the USSR (Georgia, Kazahkstan, etc.). In other words the imperial state military alliances incorporate more states, involving more armed state apparatuses than before - to ensure the safe passage of Euro-U.S. MNCs into their countries and the easy flow of profits back to their headquarters in the U.S. and West Europe.

The State and the Mass Media

While the mass media and its political-cultural apparatus crosses more borders than ever, ownership and control is highly concentrated in the hands of U.S. and European MNCs. The message is increasingly homogenous, and the source and inspiration is closely coordinated with policy-makers in Washington, Berlin, London, etc. Global flows, imperial controls - that is the essence of the mass media today. The mass media MNCs look to the imperial states and officials to set the political line and define the parameters for discussion, while they reap the profits.

In conclusion the imperial states, far from being superceded by the overseas expansion of capital, have grown and become essential components of the configurations of the world political economy. Globalist theorists mystify the role of the imperial state, an essential adversary, in the front lines in the defense of the privileges and power of the MNCs.

While a few globalist writers might concede the importance of the imperial state, they would argue that the re-colonized states are withering away before the global corporations who undermine their capacity to make decisions and regulate national economies.

4. Re-colonized States: The State as Terrain for Struggle

The starting point for any discussion of Third World States (TWS) is historical - most TWS developed socio-economic policies contrary to the IMF and WB prescriptions throughout the period between 1945-1975. The basic reason had little to do with the existence or not of the U.S.S.R. The main reason was the social classes, political alliances and ideology that directed TWS policy and pressure from the mass movements.

Throughout this 30 year period, the imperial states, specifically the U.S. pressured TWS to liberalize their economies, privatize public enterprises etc. Most TWS resisted these imperial pressures (now dubbed globalization). Two basic changes took place which altered this scenario: imperialist powers led by the U.S. launched a military offensive, utilizing mercenary client military-political forces in Southern Africa, Central and South America and Asia to destroy the economies and topple nationalist and socialist regimes which rejected the liberal program. The second change was the ascendancy in the Third World of a new transnational capitalist class (TCC) (including top political functionaries) linked to international financial circuits, with overseas bank accounts and investments and largely engaged in export markets. This TCC, sharing the neo-liberal program of the imperial powers, became the dominant class in TWS and proceeded to implement policies privileging the interests of the imperial powers. The dynamic interplay between TCC and the imperial powers, produced, what is mistakenly described as globalization. What really emerged is the re-colonization of the Third World via the pivotal role of TCC in Third World States.

The TWS are described by globalization theorists as without any power, lacking the attributes of a state and incapable of resisting the forces of globalization. There are several problems with this approach. First of all it amalgamates all Third World States under the same rubric failing to distinguish those who, in the past with possessed different attributes from the contemporary neo-colonial states. Secondly it fails to take account of the fact that the TWS were active agents in developing the policies that facilitated the liberalization of the economies. Thirdly, globalization theorists cannot account for the variations in TWS policy with regard to the liberal agenda of the imperial powers. Fourthly, they overlook the importance of the new class configuration, TCC, which has gained ascendancy in the State and pushes the liberal agenda. Fifthly, the globalists understate the scope and depth of state intervention in the liberal economy and society, equating a weak state with the absence of a social welfare state. In fact, the neo-colonial state is as active, regulatory and interventionist as the populist or welfare state, but its activity, rules and intervention is directed to serve different class interests - foreign capital and TCC.

While the re-colonized states (RS) act on behalf of foreign capitalists, bankers and states, they require and retain substantial resources and consequential attributes that enable the RS to fulfill its mission. In fact, without a strong (re-colonized) state the imperial goals would be imperiled. Strength is measured in this context by the capacity of state actors and institutions to carry out fundamental structural changes and ensure their stabilization against the majority of the popular social movements, trade unions and political parties. While the re-colonized state appears weak before the demands of the IFIs, it is strong in translating those demands into national policies. In fact, the concept of weak state is of dubious value, since the re-colonized state shares the policies of the imperial state and is made up of the associates of the MNC - its own TCC - and therefore cannot be conceived of as capitulating to the IFI or being dominated by these so-called “global forces.” The centrality of the R.S. in the liberal counter-revolution is evident in several inter-related policy areas.

Privatization

The RS in consultation with the IFI implements its liberal agenda by privatization of the strategic and lucrative public enterprises. Privatization requires intensive state intervention including the making of political alliances, repression of trade unions and/or firing of militant workers, socializing the debts of the enterprises, securing the advise of overseas investment banks in organizing the sale, intervening to ensure that favored buyers have purchasing advantages, and eliminating any rate or price controls, if the public enterprise operated with fixed fees.

Imposition of Structural Adjustment Policies (SAP)

Essentially SAP means far more than mere economic “adjustment” and “structural” refers to class power, wealth and control.[14] In this case, the RS is extremely important and active since SAPinvolves changing property ownership (from public to private, from national to private), imposing regressive taxes (increasing VAT against progressive taxation on the rich and foreign capital), reconcentrating income and property (regressive wage policies, freezing minimum wages, promoting agro-business at the expense of peasant agriculture, etc.), lowering tariff barriers (bankrupting national producers, allowing MNC greater shares of local markets, etc.), lowering social expenditures for health and education and increasing subsidies for exporters. SAP is a strategy for and by the ruling class TCC and foreign capital and against the great majority of local producers, workers and peasants. It increases inequality and poverty. To implement SAP requires a strong state willing to persist against the opposition of the majority, an ideologically committed state willing to shed its historical role as an independent entity and to reject the idea of popular sovereignty in order to implement policies via authoritarian means, by executive decree.

Who speaks of a neo-liberal regime speaks for a powerful state which imposes and implements its policies.

Flexibility of Labor

This is a euphemism for concentrating power in the hands of the employers and the RS. The new so-called Labor and Pension Reforms are policies that increase the powers of employers to hire workers on precarious contracts and fire them with little or no severance pay. It represents the total subjection of labor to capital, workers are excluded from any voice in hours or days worked, safety or health conditions. The precarious contracts give workers no job security as employment is based on short term contracts without vacations, pensions, etc. The privatization of pension funds put billions of dollars in the hands of private investment houses who receive exorbitant managements fees and access to funds for speculation and fraud, enriching the few and threatening the retirement income of millions. Implementing the regressive labor and pension legislation requires a strong state which can intervene against the popular sectors of civil society, and repress and resist strong trade union protests. Enforcement requires consolidating support among the capitalist class, and securing backing from the IFIs - which is readily available. A weak state would not be able to resist the pressures of the popular classes, it would make concessions. A strong state would ignore the protests and proceed to implement the regressive labor and pension legislation.

In examining the most important policies pursued by the RS it is clear that the scope and depth of state intervention is as strong as ever. The main difference is in the socio-economic direction of state activism and intervention: liberal neo-statism involves intervention to transfer wealth and property to the private rich especially foreign capital. The RS has not de-regulated the economy, it has established new rules governing incomes policy, pensions, labor relations, import-export policies, flow of capital, etc. The new rules, favoring the TCC and foreign capital, require a new regulatory regime, in which labor-capital populists-nationalists are replaced by representatives of the new liberal ruling class.

In the dismantling of the previous regulatory regime and social economy, and the construction of the new liberal economy and society, the re-colonized state plays an essential activist and interventionist role - albeit one operating under the dominance of the imperial state.

Why the State Plays a Central Role

The imperial powers and TCC of the Third World have a much more realistic and pragmatic understanding of the centrality of the state - whether imperial or re-colonized - then the so-called globalist theorists who purport to be on the Left. While the publicists of the ruling class mouth the globalist rhetoric, in practice they work closely in strengthening and extending the power of the state, because it is necessary for the expansion and survival of their interests. There are several reasons why the state continues to play an essential role in the contemporary world.

Volatility of Markets

The contemporary world economy is profoundly influenced by financial sectors and speculative activity which is highly volatile and constantly requires state intervention to prevent periodic financial crises in particular regions from spreading throughout the world economy. Stock market speculators in the imperial countries are highly dependent on interest rates fixed by state Central Banks. Collapse of financial and banking systems depend on state intervention to restructure the banks bad loans as is the case in Japan, South Korea and Russia. Stagnating economies depend on state intervention to stimulate growth as in Japan and China. The number of examples could be multiplied, but the main point is that increasing movements of speculative capital has multiplied and increased the role of the state in trying to stabilize the anarchy of the market, with whatever resources can be mobilized from whatever sources available.

Financial De-regulation

The lessening of state control over financial transactions has increased the role of state intervention in bailing out crises ridden financial systems and enterprises. The lack of capital controls and free convertibility has allowed for speculation on currencies and massive outflows of capital in panic conditions. The state has intervened by support currencies, let the currency float and/or tighten lending by raising interest rates. The frequency and increasing intensity of crises has turned the state from its police to its fireman role - putting out the fire of financial conflagrations.

Inter-Imperial Competition

The imperial states have increasingly taken part in the struggle for market shares, each defending their own MNCs; the re-colonized states are active in promoting joint ventures between its transnational capitalist enterprises and MNC. The states have negotiated quotas on imports, taken competitors to the WTO, organized boycotts, etc. to strengthen its MNC at the expense of its rivals. The U.S. imperial state has fought for its cattle exporters against the E.U., threatening boycotts and retaliatory measures; it has limited imports of agricultural products from sugar producing tropical countries - in a word competition between national MNC has become conflicts between states in which the state becomes the final arbiters. Given the shrinking markets and growing recession, we can expect greater state intervention and protection not less.

The Scope and Depth of the Transformations

No single or collection of MNCs by themselves had the power and authority to transform the economic and social structures that allowed capital to flow en masse in overseas markets. The state created the shell within which capital flowed, and established the rules of the game which guided overseas expansion. Given the fragility of these structures the state must continuously involve itself in bailing out capital, propping up re-colonized regimes

Buttressing the IFI

Since the IFIs depend directly on the imperial states for their leaders, programs and priorities, the support of the imperial states is essential in allowing the IFIs to continue to intervene in re-colonized states. The funding of the IFIs depends on the imperial states, without it they have no leverage and no authority in enforcing their prescriptions. To the degree that IFIs serve to link the imperial and re-colonized states, their position as a power center is based on power derived from the imperial centers. For these reasons, the state continues and will continue to be essential in the world political economy. Far from being a residual power derived form the past, the continuing relevance of the state is structurally built in to the contemporary imperial system.

5. Conclusion

The theories derived from the globalization paradigm fail to explain the central role that the state plays in the political economies of the contemporary world. Likewise the notion of an imperial system has no meaning unless we understand the activities of the imperial state and the multiplicity of roles it plays in opening markets for the expansion of their MNC.

The fundamental theoretical point is that the current configuration of power in the world economy is not based on "state less" or "global corporations" but on MNCs working closely with their imperial states. The IFI, like the WB and IMF, do not form a new global state but derive their power and funding from the imperial states. Imperialism and not globalization is the key concept to understand inter-state conflicts and inter-corporate competition. Imperial state and MNC are not polarities - these are synergies between neo-statism and neo-liberalism. In today's world, contrary to neo-liberal free market ideology, policymakers in both the imperial and re-colonized states pick winners and losers through incentives, subsidies, tariffs resulting in the expansion of specific big capitalist groupings and the decline of small and medium size firms as well as large firms without close ties to the regime.

The debate among bourgeois economists is whether the large-scale, long-term intervention and bail out of MNCs is a "moral hazard," meaning whether the knowledge by corporate directors of a state bail-out encourages "reckless speculative." The new economy economists set aside their free market ideology when faced with a crises and look to the state for financial resources to stave off bankruptcy. On the other fundamentalist neo-liberals argue that profits are earned on the basis of investment risks and therefore, if the state eliminates the risk it undermines the market's efficient allocation of resources, and promotes destructive speculation.

The basic problem with globalization theory is that it looks at epiphenomenon - the overseas expansion of national corporations to many geographical regions and fail to take account of their ties to the headquarters of these global corporations which buy and sell globally but whose strategic decisions on technology and investment is controlled in the national headquarters in the imperial state. Multi-national in form, national in content - particularly when we analyze the close ties between the headquarters of the MNC with the senior officials of the imperial state.

The globalist claim to a new "global regime" based on the supremacy of the IFI is based on a superficial extrapolation of the IMF, WB activities from the larger imperial state networks and matrix which they form a subordinate point. As a result, the globalist theorists inflate the power of the IFI and deflate the powers of the state-particularly the imperial states.

The globalists further compound their errors by confusing a shift in state activism from welfare to corporate subsidies as a "decline of the state" or a "weakening of the state." As we have demonstrated the re-colonized state is very active, interventionist and strong in implementing the neo-liberal agenda. By writing off "the state" because the welfare state has been eclipsed by the neo-liberal state, globalists obscure one of the most important terrains from struggle.

As we have argued, the state potentially retains great resources, capacity and a strategic position between producers and the world economy. The question thus becomes not one of globalizing the struggle but of transforming the class nature of the state, reconfiguring its relation to the MNC, and the TCC: this means the class struggle within the nation for state power is essential in securing the economic resources - technological research centers, means of production, land - for redistributing wealth and recreating national markets. The multiple and profound activities that the re-colonized and imperial state performs for the MNC and the TCC indicates that it is a site of resources, power, and activities that can transform and improve the lives of working people. The ideology of decline or disappearance of state is an imperial mystification designed to divert popular movements to the secondary institutions which derive their power from the state.

The internationalism of the left-wing globalist is based on events - meetings of the IMF, World Bank, etc. where large conglomerate of groups meet, protest and disperse. While the publicity value is fine, these activities do not challenge the foundations and structures of imperial and neo-colonial power.

Internationalism has strength only insofar as the national political movements are powerful, where oppressed classes have state power and can intervene in support of their comrades abroad. Strong national movements build powerful international solidarity. •

Notes:

[1]. The most prominent theorists of this view are Ignacio Ramonet and Bernard Cassen of *Le Monde Diplomatique* and their disciples in the ATTAC organization.

[2]. For a more extended critique of Globalization theory see James Petras and Henry Veltmeyer *Globalization Unmasked* (Zed/Fernwood: London 2001). See also James Petras *Globaloney* (antidote: Buenos Aires 2000).

[3]. Paul Doremus, William Kelly, Louis Pauly and Simon Reich *The Myth of the Global Corporation* (Princeton University Press 1999) chapter 5.

[4]. "Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities" Hearings before the Permanent Sub-Committee on Investigations of the Committee on Governmental Affairs, United States Senate, One Hundred Sixth Congress, November 9-10-, 1999. Also "Report on Correspondant Banking: A Gateway to Money Laundering." Minority Staff of the U.S. Senate Permanent Subcommittee on Investigations, Feb. 2001.

[5]. Washington appoints the head of the World Bank, Europe the director of the IMF. At the recent selection of the IMI head, the U.S. tried to impose one of its own, but the Europeans eventually won out, but not before they were forced to alter their nominee.

[6]. See Martin Wolf "Not So New Economy" *Financial Times* August 1, 1999, p. 10.

[7]. Martin Wolf, *op.cit.*

[8]. Tony Negri "The Imperial System" *Brecha* March 15-22, 2001.

[9]. Consult Immanuel Wallerstein's yearly production.

[10]. See James Petras "The Imperial State" in *Review,* Fall 1980, for further discussion.

[11]. In the year 2000 the U.S. Export-Import financed more than $15 billion in U.S. export sales. Currently, the U.S. ranks 7th among countries subsidizing exports - behind Japan, France, Germany, the Netherlands, Canada and South Korea. See *Financial Times* March 6, 2001, p. 4.

[12]. Both the U.S. and the E.U. manipulate "anti-dumping" regulations to protect uncompetitive industries from more efficient producers. See *Financial Times* March 6, 2001, p. 8.

[13]. "The Strategic Concept of the Atlantic Alliance" NATO Summit Meeting, April 23-24, 1999. Ratified by the Heads of State in Washington.

[14]. James Petras, Henry Veltmeyer and Steve Vieux, *Neoliberalism and Class Conflict in Latin America* (London: MacMillan 1997) chapter 3.

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