

# **Colossus with feet of clay: Imperialist globalization, high-tech and the prospects for class struggle in the U.S.**

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## **Abstract**

The global situation for the world working class in the opening of the twenty first century has been shaped by two fundamental factors – the collapse of the USSR and Eastern Europe – the material center of the socialist camp -- and the accelerated scientific-technological revolution carried out under the impetus of the insatiable drive for profits by monopoly capitalism. These two developments have led to a restructuring of world capitalism, an unprecedented socialization of the process of production, and the unleashing of world-wide wage competition in a race to the bottom, thus transforming the global working class and paving the way for social upheaval

It is estimated that one-and-a-half billion workers available for super-exploitation by imperialism were added to the world work force – a doubling of the previous number – within less than fifteen years. The monopolies used the territorial expansion and the scientific-technological revolution to engineer a world-wide wage competition in which workers in the imperialist countries are in direct competition, job for job, with super-exploited low-wage workers in the oppressed countries, thus creating a new world division of labor. In accordance with Marx's law of wages, national determination of wage levels is giving way to the international determination of wages through the mechanism of competition.

Thus, imperialist investment abroad, combined with the brutal exploitation of immigrant workers, is relentlessly lowering the wages and living standards of the workers in the U.S. The class has more and more oppressed people and thus is more explosive. After three decades of getting poorer the working class in the U.S. is now facing layoffs, a crisis of indebtedness, and endless war and intervention. The era of capitalist stability in the U.S. is coming to an end. The opening for renewed class struggle directed against capitalism is coming onto the historic agenda in the U.S., the stronghold of world imperialism.

“The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form was, on the contrary, the first condition of existence for all earlier industrial classes.

Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones....

“The need of constantly expanding markets for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.”

Karl Marx, *Communist Manifesto*

It is a measure of the power of Marx’s revolutionary doctrine of historical materialism that it profoundly informs us about the general character of developments of capitalism in the twenty first century. This doctrine forms the analytical foundation upon which our party bases its general prognosis concerning the revival of the class struggle in the U.S.

This paper is being written at the beginning of a capitalist economic crisis. No one knows at this point how it will end up. But our thesis is not based upon this present crisis or any specific event. It is part of a broader view of the profound effects upon the working class of the restructuring of world capitalism that has been in progress for three decades but has accelerated in the last 15 years or more. <sup>1</sup>

We are presently living in the wake of the two most important developments of the end of the twentieth century: the collapse of the USSR and Eastern Europe and the scientific-technological revolution carried out by monopoly capitalism in its lust for profit. The convergence of these two developments have created crisis for the working class and, at the same time, are laying the basis for the end of relative capitalist stability that has prevailed in the U.S. and other major imperialist countries since the end of World War II.

A few years before the collapse of the USSR, China, encompassing one-fifth of humanity, turned to the “open door” policy of allowing widespread foreign capitalist development. India, the second most populous country in the world, shifted sharply in 1991 toward economic integration with world imperialism.

Furthermore, vital sources of material aid going from the socialist camp to many oppressed countries around the world were abruptly cut off. Thus, these oppressed countries lost all possibility of balancing the influence of imperialism and became easy prey to neo-liberal penetration. Socialist Cuba managed to weather this terrible storm and remain standing as a beacon of socialist resistance.

A population of perhaps three billion people rapidly became open to imperialist plunder and super-exploitation within less than two decades. Of these three billion people, some bourgeois experts estimate that perhaps a billion and a half new workers entered the global work force as a reserve army of labor.<sup>2</sup>

### **Changed World Division of Labor**

Simultaneously with its political victory over the largest sectors of the socialist camp, imperialism was making leaps forward in the scientific-technological revolution.

Advances took place in the productive forces that were as significant as those made in the industrial revolution of the 19th century.

Extremely important for the working class is the **change in the international economic division of labor** that has emerged in the last several decades. As a result of the advances in computerization, communications and transportation, Internet technology, and software development the old, sharp division of labor between the oppressed countries and the oppressor countries is being steadily dissolved.

Under the previous division of labor, manufacturing and services were centered in the imperialist countries. Workers and peasants in the oppressed countries were condemned to supply the imperialist industrial machine with raw materials and agricultural products. The oppressed were primarily restricted to low-skilled, back-breaking labor, in the mines, on the plantations and peasant plots producing for export or in the ports, building roads, railroads and maintaining the infrastructure.

In the present period the giant monopolies have used the new technology to redivide the operation of production and services so they can be broken up into separate segments and different parts of the processes can be relocated around the globe, including outsourcing within the imperialist countries, to the lowest wage areas.<sup>3</sup>

There is also a growing current of offshoring services from the imperialist centers to oppressed countries. A former president of the Federal Reserve Board, Alan Blinder, fearful of a social explosion in the U.S., has warned that because of advances in the use of the Internet there are 30 to 40 million service jobs in the U.S. now subject to offshoring.<sup>4</sup>

### **Lenin on Imperialism and Opportunism**

When Lenin wrote his profound analysis *Imperialism the Highest Stage of Capitalism*, he emphasized that the export of capital by the monopolies was central to the imperialist stage. He noted that the export of capital yielded huge super-profits which formed the material basis of the corruption of labor officialdom and a significant section of the higher-paid working class – i.e., the development of a **social patriotic labor aristocracy which formed a social support for its own ruling class**. This was his explanation of the collapse of the Second International at the outbreak of World War I.<sup>5</sup>

Lenin's explanation still holds true. The super-exploitation of the underdeveloped world still forms the basis of relative privilege among the upper layers of society in the imperialist countries. And, to be sure, the people in Asia, Africa, Latin America, the Caribbean and the Middle East still do the back-breaking work in the mines and on the plantations. And the export of capital today is even more an essential feature of imperialism than it was in Lenin's time.

But Lenin's analysis must be expanded in light of present developments. Alongside the tendency to create privilege there is a dominant counter-trend. **The export of capital is now also destroying privilege.**

The super-exploitation of the oppressed and the garnering of super-profits so clearly described by Lenin was limited by geography and geology because the location and

degree of super-exploitation was largely determined by the location and richness of the mines, oil wells, arable land, available workers, and so forth.

The latest phase in the development of the productive forces has set the bosses free from these limitations on their spheres of super-exploitation. Today, low-wage can be subjugated by capital virtually anywhere in the world, regardless of geography or geology – whether in Singapore, Lesotho, Costa Rica, Bangladesh, Taiwan, Romania, Spain or Mississippi.

For the first time in the history of imperialism, workers in the rich, privileged countries, in one area after another, are being thrown into direct wage competition, job for job, with workers in the low-wage areas by the economic architects of world finance capital. Auto parts workers in Detroit compete with auto parts workers in Mexico. Customer service workers in Phoenix compete with customer service workers in the Philippines. Legal secretaries in New York compete with legal secretaries in Bangalore. The transnational corporations have created a world-wide wage competition and a race to the bottom.

Additionally, millions of immigrants from Latin America, the Caribbean, Asia and the Middle East flood into the U.S. fleeing imperialist-imposed poverty and are subjected to low wages and extreme exploitation with few rights and protections. Immigration is an integral part of imperialist globalization and plays an essential part in the cultivation of wage competition among workers.

### **Marx on “The Buying and Selling of Labor Power”**

Marx explained the nature of wages in his analysis of the “buying and selling of labor power.”<sup>6</sup> Wages are the purchase price paid by the capitalist for the labor power of workers. And that price is determined by what it takes to keep the workers and their families alive, so long as the bosses needed them. The price that the capitalist has to pay for the sum total of this is the price of labor power, called wages.

In treating the question of wages Marx also explained that every country has its historically determined level of what is considered the necessary means of subsistence for the workers. It depends on what the working class and society in general was accustomed to. In a country with a legacy of oppression, the masses are forced to live on little. In a more privileged country the masses are accustomed to more, particularly where the trade unions are strong. Accordingly, the bosses pay less or more **based upon national conditions**.<sup>7</sup>

The revolution in technology and the globalization of capitalist production and services is eroding the national determination of wages. The wage level of the working class in the imperialist countries, under pressure of the global competition set up by the giant monopolies, **is being increasingly determined internationally and under the downward pressure of the wage level in the low-wage countries**. The bosses at GM, IBM, or GE are determined that U.S. wages should be closer to the wages in China or Mexico or the Philippines than in Detroit, New York or Chicago given the world market for labor.

Marx's labor law of value and its corollary, the law of maximization of profits, is the driving force of the new phase of globalization.

Marxism teaches that it is the development of the productive forces that not only creates new classes and destroys outmoded ones, but that under capitalism, which is compelled to constantly revolutionize the means of production, the character and relationships of existing classes constantly undergo transformation.

### **The Results of High-Tech, Low Pay<sup>8</sup>**

Since the dawn of capitalism, technological innovation has been aimed at increasing the productivity of labor, i.e., increasing the rate of exploitation of the workers. High-tech means relatively fewer workers producing more commodities in a given time at lower cost to the bosses. Bound up with this process is refinement of production to incorporate the skills of workers in machines and now embedded in software, robots, etc. The historic trend is to deskill the proletariat and thus lower their wages.

In the U.S. today there are millions of high-skilled workers whose skills are no longer needed by capital.<sup>9</sup> Many have been laid off but many more come from the new generation of workers graduating from college or high school with skills and specialties which are not required by the low-wage economy. The service jobs that have absorbed the labor surplus in the U.S. are low-skilled and pay near poverty level wages. Whereas GM used to be the largest employer in the U.S. with 600,000 high-paying, secure union jobs, today Wal-Mart is the largest employer in the U.S. with 1.2 million workers with no unions who work for poverty wages.

This reduction of skilled jobs is adding to the world-wide wage competition and relentlessly leveling the standard of living downward in the imperialist countries and the U.S. especially. A new situation is threatening, the likes of which the workers have not experienced since the Great Depression.

Families have adjusted over the last three decades by working multiple jobs to supplement lost income. Workers have been forced to accept lower wages and the reduction or elimination of benefits; they have learned to live on less; they have submitted to harsh working conditions; they have relocated or traveled long distances to get jobs after having been laid off.

Workers have resorted to unprecedented amounts of credit and borrowing to keep their heads above water. The personal debt of the workers has been used to stave off personal crises, daily, weekly and monthly in millions of individual cases. Now it has transformed itself into a crisis of the class as a whole and is part of the general economic crisis of the system.

At this very moment millions of families are faced with the prospect of losing their homes. In the twenty years between 1984 and 2004 over 30 million workers lost permanent jobs in the U.S. Only two-thirds were able to find new jobs and two-thirds of

them worked for less money, with fewer if any benefits. Insecurity is growing.<sup>10</sup>

Meanwhile, the U.S. has the largest prison population in the world, disproportionately Black and Latin, and it is growing every year. Repression, police brutality, and racism are used to enforce increasing social inequality which keeps the wages and living conditions of African Americans, Latinas and Latinos, Asians and Native peoples, stuck at the bottom of the capitalist economic structure.

The sociological consequences of the high-tech, low-pay economy were pointed out by Marcy in 1985:

“It is this highly significant shift from the higher paid to the lower paid which is dramatically changing the social composition of the working class, greatly increasing the importance of the so-called ethnic composition of the working class, that is, the number of Black, Latin, Asian, women and other oppressed groups, particularly the millions of undocumented workers.”<sup>11</sup>

This development will bring the oppressed into the leadership of the class struggle and invest it with the energy and militancy that flows from combining the struggles against national oppression and class exploitation.

### **Financial Speculation and Capitalist Overproduction**

Each advance in productivity makes the realization of profits more difficult. With each leap in technology, production tends to outstrip consumption more rapidly than in the previous technological phase. The pressure to expand markets grows but can never keep pace with production. In the previous recovery in the U.S. after the recession of 2000, for the first time in U.S. history there was **a net loss of jobs, 594,000, during the early stages of the recovery**. It took over five years to get the job-level up to where it was before the recession. This was known as the “jobless recovery.”<sup>12</sup>

The present debt and financial crisis can only be understood in terms of the intensified crisis of overproduction brought about by the scientific-technological revolution and the increased productivity of labor. Even the expansion of world markets for U.S. exports and spending billions for the military were insufficient to keep production going. Alan Greenspan, the head of the Federal Reserve, lowered interest rates to 1 percent in order to pump money into the U.S. economy.

Much of the money went into creating an artificial housing boom and much more of it went into financial speculation and the extension of working class debt. This is what is behind the present crisis in the U.S. economy which is becoming global.

There are important revolutionary political conclusions to be drawn from these developments. There is a vast increase in the super-exploited international working class in the oppressed countries. This rapidly growing proletariat is being organized by the penetration and growth of capitalism which lays the basis for future class struggles. In the

previous period of imperialism the export of capital sustained class stability in the imperialist countries at the expense of the oppressed. In the present phase, the export of capital is being used by monopoly capital to undermine the economic position of all sectors of the working class. This is destroying the material basis of class collaboration in the labor movement and class peace.

### **“Endless War” for Reconquest**

Imperialism, as the final stage of capitalism, is war-like in nature. It has shown this nature persistently in different forms. The military struggle between the imperialist powers for world supremacy drove two world wars until the rise of U.S. imperialism as the dominant power after 1945. The war drive then shifted to the war against the socialist camp and the world liberation movements. With the collapse of the USSR, the war drive has been expressed in the struggle of the U.S. to reconquer territories lost during the era of 75 years beginning with the Bolshevik revolution and to suppress any challenge by national liberation movements.

This drive is behind the wars in Iraq and Afghanistan, the threats to Cuba, Iran, the DPRK, Syria, Venezuela, the liberation movements in the Philippines, Colombia, Palestine, Lebanon and so on. The attempt to encircle Russia and to build up U.S. military forces against China in the Pacific is ominous for the future.

The vulnerability of the U.S. military machine when it has to reconquer territory with troops on the ground has been revealed to the entire world in Iraq and Afghanistan. The militarists in the Pentagon are growing more frustrated day by day at their inability to prevail on the ground and watching their awesome military power neutralized by the resistance to these brutal colonial wars. The military adventures in Iraq and Afghanistan are eating up resources without bringing in any loot – a net loss for Wall Street.

The twin pressures of economic contraction and military expansion are weakening the fabric of U.S. capitalism. The present stability is utterly different from the stability of the post World War II period. That stability was based upon imperialist prosperity and Washington’s total dominance of the capitalist world.

The pressures will lead to a break up of the present stability and a revival of the struggle among the workers and the oppressed in the U.S. that will break through the surface of reactionary ideology and capitalist norms and lead to struggles not seen in the last 75 years. Intensified national oppression, including that of indigenous peoples, sexual and gender oppression, are all taking place in the framework of deepening class exploitation. This is bound to arouse resistance. As the saying goes, “the counterrevolution whips the revolution along.”

We have made this analysis not so we could sit by and wait for the revolution to come, but to use Marxism as it was meant to be used – as a guide to a revolutionary future. Our party is fighting with our limited resources to stimulate the struggle and to reach out to the masses in the early stages of the coming crisis. We are fighting against the war and

reaching out to the soldiers; we are trying to reach the workers with the message that they have a right to their jobs, a right to their homes, the right to food and healthcare, among other concrete struggles.

We are combating the bourgeois doctrine of “competitiveness” so that the workers will not have their fate bound to the capitalist market. We are trying to establish the idea that workers create all the wealth and their rights come before the right to profits. As the economic crisis unfolds we will try to build the spirit of class resistance, the need for class-wide struggle against the capitalist onslaught.

We are struggling for international class solidarity with workers from India to Mexico who need jobs at good wages too. In the era of globalization this is the answer to world-wide wage competition. We are fighting in defense of immigrant workers, against racism, national oppression, against sexual and gender oppression as the only road to class unity. On this basis we seek to unite with all anti-imperialist and communist forces in the current battle against capitalism and in the next phase of the struggle for world socialism.



<sup>1</sup> These core concepts and the supporting data have been developed more fully in a book about to be published, with the working title of “Colossus with Feet of Clay, Imperialist Globalization, and the Prospects for Class Struggle in the U.S.”

<sup>2</sup> Richard B. Freeman, “Doubling the Global Workforce: Presentation to Center for Global Development,” Nov. 8, 2004 <<http://www.iie.com/publications/papers/freeman1104.pdf>>. Thomas Palley, “Super-sized: What happens when two billion workers join the global labor market?” <<http://www.thomaspalley.com/?p=18>>, posted Sept. 29, 2005..

<sup>3</sup> One classic example is that of Dell Computer, the largest personal computer manufacturer in the world with six assembly plants throughout the world-- in Brazil, China, Ireland, Nashville, Tenn., Austin, Texas, and Malaysia – combining components for all over the world. See Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-first Century* (New York: Farrar, Straus and Giroux, 2006), p. 516

<sup>4</sup> “Offshoring: The Next Industrial Revolution?,” *Foreign Affairs*, March/April, 2006. The offshoring and outsourcing of manufacturing has progressed considerably in recent years, but what is emerging is the offshoring of services. GE, IBM, Boeing, accounting firms, major banks and investment houses, airlines, medical practices, etc. are offshoring everything from customer service call centers, to reading x-rays, to doing tax returns, computer programming, engineering, research and development, etc. These jobs are being sent to India, the Philippines, China, Russia, where wages and salaries are anywhere from a quarter to a tenth of the wages and salaries in the U.S. Millions of jobs are at risk as the bosses get more expert at moving these jobs around the globe and as the technology advances.

<sup>5</sup> V.I. Lenin, “*Imperialism and the Split in Socialism*,” *Collected Works*, Vol. 23, Moscow, 1974, pp. 105-120,

<sup>6</sup> Marx, *Capital*, Vol. I, p. 164 ff.

<sup>7</sup> *Ibid*, p. 524 ff.

<sup>8</sup> The late Sam Marcy, founder and chairperson of Workers World Party wrote on the importance to the workers of high-technology as it was being introduced in the 1980s. *High Tech, Low Pay: A Marxist Analysis of the Changing Character of the Working Class*, (New York: WW Publishers, 1986).

<sup>9</sup> Uchitelle, Uchitelle, *The Disposable American: Layoffs and Their Consequences* (New York: Alfred A. Knopf, 2006) p. 66

<sup>10</sup> Louis Uchitelle, “End of the Line As Detroit Workers Know It,” *New York Times*, April 1, 2007.

<sup>11</sup> Marcy, “*High Tech, Low Pay*,” p. 72

<sup>12</sup> Lawrence Michel, Jared Bernstein, Sylvia Allegretto., *State of Working America*, 2006/2007, Economic Policy Institute, (Ithaca, New York, Cornell University Press, 2007) pp. 17-18, 211-212. Also Stephen Roach, “More Jobs, Worse Work,” *New York Times*, July 22, 2004, and “Offshoring Backlash,” *Global: Daily Economic Comment*, Morgan Stanley Economic Trends, Feb. 13, 2004.