

# Globalisation: The Socialist Perspective

## Part One

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[PART 1](#) | [PART 2](#) | [PART 3](#)

*Nick Beams, a member of the International Editorial Board of the World Socialist Web Site and National Secretary of the Socialist Equality Party of Australia, recently completed a successful lecture tour of six Australian universities. Beams' lecture—Globalisation: The Socialist Perspective—was attended by students, academics, workers and professional people in Sydney, Melbourne, Newcastle and Canberra. The WSWS is publishing the lecture in three parts. Part two will be published on June 6 and the final part on June 7.*

The advent of the 21st century has quite naturally prompted a retrospective examination of the past 100 years and raised questions about the future development of civilisation. Such questions are provoked not merely by the turn of the calendar but by the sense that society is passing through an immense transformation, which is going to shape events for generations to come.

The past period has seen a truly amazing development of scientific knowledge and productive techniques—computerisation, gene technology and systems of communication only dreamed of a few short years ago, to name just a few examples. But this amazing growth of scientific and technical knowledge, and the productive powers of mankind, stands in sharp contrast to the other predominant feature of this period—the overwhelming sense of social powerlessness and social retrogression.

The vast changes in production processes over the past two decades associated with the globalisation of all aspects of economic life, changes which come at an accelerating rate, have swept aside all the old political and economic certainties. Masses of people all over the world find themselves caught up in some kind of a whirlpool, in a situation where they are turned this way and that by forces they do not control and which no one appears to control.

Every day brings some new catastrophe: the development of famine, the outbreak of civil war and ethnic conflict, the closure of a factory, the downsizing of a corporation or the cutting of social services.

And hanging over the whole world is the threat of a major financial crisis, the warning signs of which have been seen in the financial storms that have ripped through the global capitalist economy in the past decade.

In ancient times, men consulted the stars to seek some guidance for their actions, or looked for signs in the natural world to see if the gods were looking kindly upon them. Modern man dismisses such activity. But every day millions of people all over the world follow the Dow Jones or the NASDAQ or some other share market index to try to ascertain what the future has in store for them, as if social and economic development were determined by a number.

While this sense of uncertainty has developed on a vast scale, it is not new. In fact the present situation is the outcome of processes inherent in the development of the global capitalist system from its very birth. More than 150 years ago Marx wrote in the *Communist Manifesto*: “The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and

with them the whole relations of society. ... Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face, with sober senses, his real conditions of life, and his relations with his kind.”

This is the task we will try to undertake in this lecture: to face with sober senses the real conditions of life and, out of this confrontation, point the way to the future.

According to some, however, such an analysis is not necessary. An article published on the opinion pages of the May 23 edition of the *Australian Financial Review*, under the title “No really—we've never had it so good” and with the sub-title “Thank free-market capitalism for our unprecedented prosperity”, begins as follows: “The populations of the advanced economies are today the richest and freest people the world has even known. We enjoy unprecedented levels of personal health, longevity, mobility, safety, education and amenity. We can say with confidence that the problems of obtaining and securing prosperity and freedom—humankind's central problems from the dawn through the 20th century—have now essentially been solved.”

The article goes on to assert that capitalism proved its superiority over socialism at precisely the thing which socialism claimed to do best; improving the lot of the common man and woman. “If we are all capitalists now, it is because we moderns—right, left, and centre—are all deep-dyed egalitarians and capitalism is revealing itself to be the most egalitarian of regimes.”

The claims made here are of course stupidly outrageous. But they are not essentially different from the assertions that filled the air at the beginning of the decade when the collapse of the Stalinist regimes in the Soviet Union and Eastern Europe was hailed as the “death of socialism” and the “victory of the market”.

From the parliamentary rostrum to the university lecture hall, in newspaper articles and academic journals alike, the same theme was endlessly repeated: the great ideological and political struggle of the 20th century was over. Henceforth the market, based on the private ownership of the means of production and financial resources, with its relentless competitive struggle for the accumulation of profit in the interests of capital, would rule unchallenged. Some even went so far as to proclaim the “end of history”.

The fact that the Stalinist regimes, upon whose demise these claims were based, in no way represented genuine socialism, but were ruled by a despotic bureaucratic apparatus which had come to power through the brutal repression of the working class and the murder of its revolutionary leadership, never entered into consideration. No examination of the facts was allowed to stand in the way of the assertion that the capitalist market had demonstrated that it was the only viable form of social organisation.

## The test of experience

These declarations were accompanied by sweeping legislative and political changes in the succeeding period as the program of unrestricted free market capitalism—spearheaded by the Reagan and Thatcher regimes in the 1980s—swept the globe. Social democratic parties, which for decades had proclaimed the possibility of reforming capitalism in the interests of the mass of the population, scrapped their policies of social reform. Trade union leaderships rushed to enter into partnership with capital to ensure profitability and “international competitiveness” in the global market place, while the leaders of nationalist regimes in the so-called underdeveloped countries, abandoned their programs of national economic development, declaring their willingness to provide investment opportunities for global capital and their adherence to “free market principles”.

Over the past 25 years, culminating in the frenzied pace of developments in the past decade, the economic organisation of the entire world has come under the sway of the global capitalist market. In no other period of human history has it exercised such dominance. This places us in a truly unique position to judge the claims of its proponents and to examine how they have stood up against the test of historical experience.

In the recent period a flood of information has been published showing the staggering growth of social polarisation on a world scale. The wealth of the 475 world billionaires, for example, is now equivalent to the combined incomes of more than 50 percent of the world's population, some 3 billion people. And this amassing of riches is proceeding at an accelerating rate. The number of billionaires in the United States alone has increased from 13 in 1982 to 149 in 1996 and has increased since then.

According to the 1998 United Nations World Development Report, the three richest people in the world have assets exceeding the combined Gross Domestic Product of the 48 least developed countries, the 15 richest people have assets worth more than the total GDP of sub-Saharan Africa and the 32 richest more assets than the GDP of South Asia. The wealth of the richest 84 individuals exceeds the GDP of China with its 1.2 billion inhabitants.

And what of the majority of the world's people?

Of the 4.4 billion people in so-called developing countries, almost three fifths lack basic sanitation, one third have no safe drinking water and one quarter have inadequate housing, while one fifth are undernourished, and the same proportion have no access to decent health services.

Between 1960 and 1994 the gap in the per capita income between the richest one fifth of the world's population and the poorest one fifth more than doubled, increasing from 30:1 to 78:1. By 1995 the ratio had risen to 82:1.

In 1997 the richest one fifth of the world's population received 86 percent of world income, with the poorest fifth receiving just 1.3 percent. More than 1.3 billion people are forced to subsist on less than \$1 per day—a life-threatening situation. According to the UN, out of the 147 countries defined as “developing” some 100 had experienced “serious economic decline” over the past 30 years.

The impoverishment of whole populations over much of the world is not the consequence of “natural disasters” but is the direct outcome of the operations of financial markets and the imposition of “structural adjustment” programs by the International Monetary Fund on behalf of the banks and major international financial institutions, with the aim of creating conditions for the domination of international capital.

Despite massive debt repayments, extracted at enormous social cost, the level of indebtedness continues to rise. In 1990, the stock of total debt owed by developing countries was \$1.4 trillion; by 1997 it had risen to \$2.17 trillion. In Africa, total debt was \$370 for every person on the continent. In some countries the total level of debt was more than four times the GDP. In 1998 Third World countries paid \$717 million in debt service to the major banks and financial institutions every day.

And nowhere has the devastation been greater than in the former Soviet Union—the territory upon which the spokesmen of capitalism maintained the market would truly be able to work its “magic”.

Since 1989 it has been calculated that the Russian economy has halved. In economic terms it is now no bigger than the Netherlands, with a loss of production greater than that inflicted in 1942 when much of the country was occupied by the Nazi invaders.

The birth rate has almost halved since 1985 and is exceeded by the death rate by a factor of 1.6, with the result that on present trends the Russian population will fall by one fifth over the next decade. At the turn of last century, the life expectancy of a Russian male aged 16 was higher than it is today. That is, despite two world wars, a civil war, famine, deaths in the purges and the Gulag, a 16-year-old male in 1900 had a 2 percent better chance of reaching 60 than he does in the year 2000.

Even if some evil spirit had decided to play a cruel joke upon humanity it surely could not have conjured up the situation now unfolding. As the new century begins the “triumph of the market” takes the form of an ever-growing disaster.

In all corners of the world, social conditions are marked by deepening poverty and mounting inequality, resulting in the continuous eruption of human catastrophes. And in the midst of these social disasters the “New World Order” of the capitalist market has revealed its true face—the launching of brutal wars as the imperialist great powers once again strive for global mastery.

The connection between the domination of the “free market” and the use of military power was succinctly summed up in an article by the foreign editor of the *New York Times*, Thomas Friedman, published just over a year ago as the NATO onslaught against Yugoslavia was getting underway.

“The hidden hand of the market,” he wrote, “will never work without the hidden fist—McDonald's cannot flourish without McDonnell Douglas, the builder of the F-15. And the hidden fist that keeps the world safe for Silicon Valley's technologies is called the United States Army, Air Force, Navy and Marine Corps ... Without America on duty, there will be no America Online.”

Capitalism has always created misery for the broad masses of the world's people, but over the past 50 years its defenders have argued that at least in the wealthiest countries it has brought rising living standards for the majority of the working population. That is no longer the case. Economic expansion over the past 25 years has not only produced a deepening polarisation of wealth, but an actual decline in the real income of the majority of wage earners. Nowhere is this global tendency more apparent than in the United States, considered to be the model for the “free market” economy.

It is estimated that real wage rates in the US are around 7 percent below what they were in 1973. Not even over the 25 years covering the Great Depression of the 1930s did real wage rates contract over such a prolonged period.

The decline in real incomes for the majority of workers is the outcome of an upward redistribution of wealth. In 1962 the bottom 90 percent of the population received 69 percent of income. By 1992 this had fallen to 59 percent. In other words, in this period 10 percent of income was redistributed up the income scale, most of it ending up in the hands of the wealthiest 1 percent. In absolute terms this amounts to about \$700 billion a year.

The wealth of the *Forbes* 400 richest Americans grew by an average \$940 million each from 1997 to 1999. Over the 12 years from 1983 to 1995, however, the net worth of the bottom 40 percent of households declined by 80 percent. So much for the “trickle down” effect so beloved by the free market proponents. Rather we have an “upward suction” process.

The combined net worth of the *Forbes* 400 was \$1 trillion in September

1999, up from \$738 billion the year before. Just one fifth of that increase, around \$48 billion, would have been enough to bring all Americans officially designated as living in poverty (about 15 percent of the population and 25 percent of all children) up to the poverty line.

Similar figures can be cited for all the major capitalist countries. For example, according to one recent study of Australia: "In 1994 the top 20 percent of households received 40 percent of the total disposable income; the bottom 20 percent received less than 6 percent. Compared with 1984, the lowest three quintiles reduced their share, the fourth quintile maintained its share and the highest increased its share. Real disposable incomes were lower in 1994 for all but the highest quintile, despite the growth in two income households." [1] In other words not only has the broad majority of the population become worse off in relative terms, it has become worse off in absolute terms as well; real incomes have declined.

Note:

1. Bryan and Rafferty, *The Global Economy in Australia*, p.20



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