

Living in our Globalized World: Notes 5  
**Processes of globalization: Capitalism**  
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- **Globalization:** the increasing interconnectedness of people around the world
  - so that events in one place, or in one group or culture affect people in distant places, or other groups or cultures
- There are many processes that create this increasing interconnection and contact
  - One of the overarching, driving processes is the growth and spread of a **capitalist world system** (I'll define those terms soon)
    - which leads to colonialism, wars, refugee flows...
    - labor flows, outsourcing, multinational businesses...
    - increasing communications, shared music, movies...
    - global marketing
    - and many other globalizing processes that bring people of different cultures into interactions with each other...
- Robbins argues that capitalism is really just another, new kind of culture: the **culture of capitalism**
  - Like all cultures, the culture of capitalism is a suite of arbitrary cultural constructs
    - not given by the real world
    - but rather an ad-hoc consensus
    - a bunch of ideas that many people share and have learned from each other
  - The beliefs, rules, values, etc. of the culture of capitalism are built around beliefs that
    - acquisition and consumption as the source of well-being
    - material standard of living is extremely important
      - at least sometimes even more important than freedom, dignity, health...
  - It defines 3 general roles for people:
    - **consumer**
      - buys and consumes goods and services
      - has infinite wants (is never content, would always be happier with more or better things to consume)
    - **laborer**
      - only form of support is exchange of own labor
    - **capitalist**
      - invests capital (wealth) to make profit (more wealth)
  - most people play two or all three of these roles at various times
  - all seek money and interact through it
- The 3 roles are embedded in the **nation-state**
  - which mediates through laws and enforcement
  - ensuring that people respect private property and comply with contracts, limiting abuses, guaranteeing the currency, keeping the peace, etc.
  - **nation:** an **imagined community** of people who feel solidarity with each other (nationalism) and seek autonomy for their community

- more on imagined communities later in the course...
- **state**: a political organization with territorial boundaries, a hierarchy of authority and power, and a **monopoly on the legitimate use of force**
  - we could spend a lot more time on this concept, too
- theoretically, modern countries are nation-states
  - but in reality, boundaries of nations and states only align very imperfectly
  - many nations don't have their own state, and are divided among multiple states
  - few states include just a single nation
  - so states have to work hard to create patriotism (identification with the state), overcoming the cross-cutting loyalties of nationalism (identification with the nation)...
- We are so immersed in this culture that it seems obvious, necessary, even the only possible way
  - we tend to think that everything has a price
  - that everything (education, fun, marriage, children, health, security, comfort, contentment, happiness) can be purchased
    - everything is a **commodity**: a thing exchanged for money
    - so much so that the US government could seemingly reasonably calculate the dollar value of every life lost in the World Trade Center and reimburse the survivors accordingly
  - we tend to think this is the only realistic, universal, scientifically correct way to look at life
    - anything else is naïve, ignorant, cannot work in the long run
    - we think an objective view of life could only be this way
- But this is *not* natural or inherent to humans; it is not the only way people have lived
  - most people in the history of the world have NOT emphasized consumption
  - most have NOT worked hard to accumulate ever more wealth
  - most have NOT seen life as being largely about exchanging money
  - most have mainly made and consumed what they needed, rather than working for money to exchange for goods
  - the commodified, capitalist view is very much a cultural construct
- This construct has a bizarre property: the society has to continually expand
  - Ernest Gellner called it “the society of perpetual growth”
  - If our society just produced the food, clothes, etc. that we consumed,
    - then each year's production would equal its consumption
    - each year would start with the same amount of value overall as did the previous year
    - a steady state, with no growth
  - But in the culture of capitalism, the amount of production and consumption must constantly grow or the system collapses
    - so the amount of money in the system must grow
    - why?
  - Because capitalism is based on profit
    - Capitalists seek profit; that is their moral, cultural role
    - **Capital**: wealth used to make more wealth
  - Capital makes more capital by being invested, that is, by being loaned at interest

- investors lend you capital to build a factory
- you build it, make widgets to sell at a profit, and repay the loans with interest
- even if you use your own capital, you will only spend it on the factory if you think you will get it back plus a profit
  - essentially a loan to yourself, to be repaid with interest
- The whole system *must* grow: constantly create new value
  - in 2011 there is “x” capital in the world system
  - in 2012 there will be “x” + the profits of 2011 = more
  - new value must constantly be created somehow
  - otherwise there would be no reason to invest (lend)
    - businesses could not run without loans to buy materials, equipment, etc. that will only make a profit later
    - goods would not be created and consumed... collapse!
- Concretely, the system has to grow (constantly create more value), in order to
  - 1. pay interest on all those loans
  - 2. pay the principle on the loans if the money loaned was “credit money” created by banks
- Let’s start with the simpler reason: interest
  - I need raw materials or a tool for my business, but don’t have enough money to buy it
  - I get a loan, which I will have to pay it back plus interest
    - so I charge my customers that much more
    - so they have to earn that much more by producing more
  - since lots of people (and businesses) take out loans each year,
    - the system overall has to produce enough more than the previous year to repay all those loans with interest
- Now the other, and bigger, reason: **credit money**
  - banks are allowed by the state to lend more money than they have in deposits
    - (regulating the percentage of loans they can make relative to deposits – their “capitalization” – is one of the ways that the nation-state tweaks the system to keep it smoothly producing profits)
  - you deposit \$1 in the bank
  - the bank lends me \$9, which are really just numbers in their books
  - the bank hopes that only a few people at any given time will actually demand a cash withdrawal
  - this effectively creates new money in circulation
    - “credit money”, or simply a promise by the bank to pay depositor in the future when they withdraw their money
    - based on a promise by borrowers to pay back the capital and the interest of their loans
      - neither of which actually existed at the time of the loan...
  - eventually, I have to repay the loan with interest: \$10 in cash
  - that actual value had to be created somehow, somewhere
    - “actual value”, “cash”, and so on are tricky concepts that we won’t pursue here
- again, since lots of people take out loans each year,

- the system overall has to produce enough more value than it did in the previous year to pay for all that new “credit money” that simply did not exist before
- How can more stuff (new value) be created?
  - by converting non-monetary things into things that can be sold for money
  - converting
    - trees into lumber
    - underground rocks into metal
    - quartz sand and rare earths into microprocessors
    - tasks like child care by parents into services that are paid for
    - farm labor
      - done for family consumption (no money, no loans, no interest)
      - into paid labor producing food for sale (creating profit, paying interest, resulting in growth in the total value or amount of money)
- As long as it keeps growing, the system works
  - Banks create money through loans
  - Borrowers (especially businesses) use it to buy ever more stuff
  - Ever more stuff is produced
    - partially by converting things that were not salable into things that are, or that are salable for more than they were before
- This endless growth has led to
  - real advances in wealth and living standards
  - advances in technology
  - but also environmental and social problems
  - but growth is evidently is not sustainable indefinitely...
- The point for this class: Perpetual growth leads to globalization
  - perpetual growth requires seeking ever more non-monetary resources to convert into money
  - like natural resources: hence globalizing processes of
    - colonialism
    - international mining, logging, transport, etc. of resources
    - resource wars bring people into contact, flows of refugees, etc.
  - like shifting labor for direct family consumption (non-monetary) to labor for pay
    - get people to stop producing their own food, and start working for wages and buying food, clothes, TVs, etc.
  - hence globalizing processes of
    - labor migration from rural areas to multiethnic cities
    - labor migration from one region to another; outsourcing
    - opening new markets through global advertising...
  - Perpetual growth means no group or place is left alone, outside of the system
    - a society based on the culture of capitalism has to keep expanding, incorporating any natural resource, pool of labor, or potential market that is still untapped
    - eventually, the entire globe is sucked into it
- Could it be otherwise?

- Yes -- and it has been for most of history
- Say people lived in large groups with a sense of responsibility towards each other
  - like large extended families or networks of kin
  - with economic exchange based mostly on
    - **generalized reciprocity**: everyone just shares, without keeping track (except sanctioning obvious slackers)
      - as you probably do within your own family
    - **balanced reciprocity**: people give something expecting something comparable in return later
      - as we do in exchanging birthday gifts or doing favors for friends
  - both give people access to resources, just like loans
  - but with no interest, no credit money, so no growth
- Participating in generalized or balanced reciprocity *is* in the individual's self interest, just as capitalism is
  - people are still looking out for their own needs, just thinking about it in a different way
  - participating in generalized and/or balanced reciprocity ensures that the person can count on others in the future
  - and that he/she does not face social sanctions
  - ...assuming that everyone
    - knows the rules and roles involved (what to do and how)
    - shares the necessary sense of responsibility
    - believes that this system is legitimate: normal, right, natural
    - and expects it to continue (can depend on it in the future)
  - that is, it has to be part of the culture
  - just as getting and paying back loans with interest only works if it is part of the culture
    - if people feel obliged to pay back, and simply do, it works
    - if they often have to be forced to pay back, who would lend?
    - this is part of the current crisis: people are increasingly choosing not to pay back home loans which have become unfavorable to them
      - without a shared understanding that one simply must repay loans, lenders are more reluctant to lend
      - loans are harder to get, and the economic system freezes up...
- This alternative is not merely hypothetical
  - Large groups with generalized or balanced reciprocity are typical cultural features of
    - foragers
    - farmers in simply organized societies
    - the norm for most of human history
    - studied a lot by anthropologists and archaeologists
  - Again: the point is that capitalism and perpetual growth are simply cultural constructs
    - not necessary features of existence
- Another result: development of the “**world system**”
  - a model suggested by Immanuel Wallerstein
  - the entire world is organized as a wealthy **core** surrounded by a poorer **periphery**

- the core controls most capital, manufacturing, finances, and has the military power to get what it wants
- the periphery is exploited for resources and labor, and has to buy its goods from the core
- A good model for the 19<sup>th</sup> and much of the 20<sup>th</sup> century
- But is the world today too interconnected for this model?
  - Is China core, or periphery?
  - England? Iceland? Saudi Arabia? Dubai? India?
- still a useful framework, but must be applied with caution, acknowledging the complexity of the modern situation
- Robbins: the culture of capitalism was *constructed*
  - he traces the construction of the consumer
    - first in the core, then exporting the concept to the periphery
    - involving
      - changes in retailing and advertising
      - government programs promoting consumption, home buying, etc.
      - sale of addictive substances like opium, alcohol, tobacco, coffee, chocolate...
      - even wars to force open markets, as in the opium wars by Britain in China
    - all about creating new demand in order to sell ever more
      - to make profit on ever more sales, to pay interest on capital to investors
  - construction of free labor
    - that is, workers who will take paid jobs
    - because they cannot satisfy their needs with their own hands
      - because they have lost (often been forced off of) their land, so they can't raise their own food
      - because they have been convinced that consumption leads to a better life, and they need money from paid work to buy those goods
  - involving
    - colonial rule and wars to take land by force and drive off subsistence farmers
    - laws divvying up communal lands to individual owners, who can then be bought out by wealthy investors
    - competition from mechanized farming that makes it impossible for small farmers to compete and survive
    - encouraging production of cash crops (crops for sale rather than consumption) financed by loans,
      - so when a bad year hits and the farmer can't pay back the loan, he/she has to sell the farm
      - usually to a large landholder, who will pay laborers, maybe even the former owners, to work the land for the new owner's profit
    - all about creating workers who will produce more value than the amount that they are paid
      - which creates the new value that will be sold, to pay interest on capital
      - also creates more consumers, since they no longer produce for themselves
  - construction of the capitalist
    - starting with traders

- development of widespread loans, investment, and the Dutch East India Company (VOC) in the Netherlands, quickly followed by the British East India Company and others
  - origins of the need for perpetual growth
- development of factory production
  - purpose: to make profit from investing capital
  - ever greater role of capital:
    - first just enough to buy products made at home by cottage industry
    - then more to “put out” materials
    - then more to provide equipment
    - then more to centralize and control labor in a workshop or factory
    - then more capital to mechanize
  - first due to reducing inefficiencies due to moving small amounts of materials and products to and from many homes
  - then to organizing and systematizing the processes
  - finally to using machines to replace some of the labor
  - all ways to use capital to produce ever more value
- imperialism to gain access to more resources and markets
- this was all a historically specific process that created
  - beliefs, values, morals
  - social organization, political and military organization, etc.
  - that allow and encourage almost anything that makes a profit
  - seeing it as an overall good for everyone
- all this growth brought people together
  - often for the worse
  - so the general process of globalization
    - driven by the perpetual growth required by the culture of capitalism
    - plays out in specific ways, in particular places
    - which set the stage for present global relations, attitudes, assumptions...
    - this is the view of **historical particularism**
      - that you have to know the particular history of a case to fully understand it
      - each case is unique
      - general principles, though useful, only get you a partial understanding, or may even lead you into mistaken understandings
    - the first round of Case Team presentations will look into the historical, particular processes that brought cultures together and structured their relationships in each case
- Robbins warns of one of the many dangers of this perpetual growth of consumer capitalism: the danger of creating desires that cannot be satisfied...
  - leading to a backlash of anger at the obvious inequality and injustice
  - rejection of the culture and values of capitalism
  - fundamentalism (religious, ethnic, and others) in its place
  - xenophobia, terrorism...