

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 later today)
 - 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 19th and much of the 20th 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...