Capitalism, Internationalism, and Socialism in Times of Globalization*

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This paper will mention Marxist propositions, presented since the mid-19th century, about capitalism, socialism, and internationalism. According to Marx, socialism would replace capitalism and internationalism would occur through the dissolution of nation states. Later, Marxist circles presented a historical arrow in the form of > capitalism > socialism > internationalism. Taking into account recent steps of globalization and measures imposed by national governments in the face of the deep financial crisis of 2008, it is interesting to compare the above theory with some historical events that have happened since the 19th century. Much has happened that Marx did not predict. Considering the world trajectory since the Second World War, it seems that the historical arrow has the form of > capitalism > internationalism > hybridism of capitalism and socialism >?

Keywords: States Nations of a continental scale, American hegemony, globalization, BRICS, international institutions, new classes, new labor segments, the arrow of history

Introduction

At the end of the Second World War, 1946, a new geopolitical world map emerged, in which the United States of America and the former Soviet Union appeared as the two hegemonic superpowers. A new cycle of high technological development, which started with the war efforts, followed its course. The social economic capitalist forms developed in the North American conditions spread over the world and the former Soviet Union collapsed in 1991. However the contemporary world spread of capitalism, the so-called globalization, is replacing the past two poles world center by a multi polar structural pattern, where new powers are appearing, with emphasis to China. The movement shows class changes, as the growth of the executive sector, or the division of labor between qualified and none qualified. On the other hand, in spite of the Soviet dissolution, socialist principles are deepening their roots everywhere in the world. One questions if the current mode of production is still capitalist in the form we knew it.

Capitalist Transitions Since the 19th Century

The growth of financial capitalism

Capitalist modes of production did show a sequence of significant transitions since the mid 19th century.

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The financial sector has increased continuously, absolutely, and relatively, centered in its beginnings in Great Britain. London became the main world financial center and the largest world metropolis. Investments from capitalist countries were directed not only to the other industrialized countries or their colonies, but also to the newly independent countries of the periphery.

An example: By the beginning of the 19th century, for instance, the largest foreign investment in Brazil was made by *Light & Power*, a company with headquarters in Toronto, Canada, ruled by London. Working with English, American and Canadian capital, Light & Power started its investments with nominal 10 million dollars to build urban equipment in the main Brazilian cities, Rio de Janeiro and São Paulo.

Holding for many years the monopoly of all urban services (electricity, gas, telephone, water supply, sewage, and tramway transportation), the company was nicknamed by the population of Rio de Janeiro, at that time the federal capital of Brazil, as the Canadian octopus. But it played a fundamental role in the development of São Paulo and Rio de Janeiro to become the two main modern national metropolises.

While competitive industrial capitalism was a source of wars between industrialized countries, financial capitalism tended more likely to negotiate. During the 1930, Chamberlain showed it appeasing Hitler. Back from Munich, where in practice the Czech Republic was sacrificed, Chamberlain was received in London by crowds hailing for peace.

The economic crippling and the border adjustments as a result of the Treaty of Versailles made Hitler possible. Germany recovered its strengths as a national industrialized economy and launched World War II in 1939. After the War Great Britain and London were replaced by the United States and New York as the world's leaders of international financing.

American Industrialization since the 19th Century

Among the new characteristics introduced were:

The continuous in-migration of people and capital. Unlike Europe, in the US, as in the other American countries, national identity was no longer relates to ancestry; citizenship could be earned through application and through birth.

The extension of the country, from coast to coast, and the formation of a national industrial developed economy, of a continental scale.

Mobility of the population, made possible social betterment (the "self-made man", "millionaire", and "winners" are American staple.

This social mobility created a social atmosphere where it was possible to put production far ahead of consumption. This was done by introducing new products, new models, industrializing food, developing advertising, and a popular credit system. The American Express credit card was introduced during the mid-1800s. As production and consumption went hand-in-hand, the consumer society was being borne.

American geography provided two free coasts on two mains oceans, thus offering the possibility to the USA to become simultaneously a territorial and sea power.

The diversity of national origins among the migrants certainly influenced the desires for peace among the population. Perhaps, more likely the migrants were learning how to get along in this new country. They might have thought their brother in Europe should try the same thing. That the League of Nations created after the First

World War was President Wilson's idea, but the US itself did not join because of political differences within the US Senate.

Later, even though many people supported England's struggle against Nazi Germany, the US only entered in the Second World War after the Japanese attack on Pearl Harbor, November 7, 1941.

Two more observations related to the evolution of the US:

In his *Manifesto*, Marx expressed doubt about his own views for the future, considering much unknowable about the development of the New World.

Although Heidegger saw Germany as a European defense against both American and Soviet materialist cultures (Heidegger, 1966), Hitler tried to introduce in Germany many American institutions. Like Henry Ford, he introduced a populist (affordable) automobile (the Volkswagen) and built superhighways (autobahns) to facilitate motorized travel.

He also modeled the notion of expanding Germany through conquest after what the US had done in the 19th century. The German film industry was modeled after that of Hollywood, intending it for a mass cultural audience and propaganda. His development of air power was intended from the first for military purpose—primarily against soviet Russia.

Socialist States and the Banner of Internationalism

The USSR (The United Socialist Soviet Republics).

For Marx, the succession of modes of production would represent a historical movement, elevating mankind from lower to higher levels of material and moral development. Technological innovations would guide the process. Capitalism would result from the new social relations of production needed to manage the new use of machinery.

He stated that a mode of production gives place to another only when it loses its capability to produce. Thus, he believed that socialism would start to appear first in England or Germany, the most advanced industrial economies at his time. He also understood that a new mode of reproduction occurs through linkages between countries, when the new social relations show their capacity to diffuse worldwide (Marx & Engels, 1996).

However, in 1917, a communist party seized State power in Russia, which was far less industrialized and far more agrarian than England or Germany. The Soviet Union was born. The important quality here is that it became not only a centrally-planned socialist economy, but also a totalitarian political regime.

Communist efforts to seize power after World War I in Germany failed. But its development in Russia was not as Marx had imagined. Under Russian conditions, the revolution shifted to an authoritarian personal dictatorship with a personality cult—introducing Stalinism, with Stalin. The Soviet Union proclaimed that the revolution was a needed immediate, radical, total social rupture with capitalist forms. It presented itself as capable of changing the world by example, and producing a new kind of man (but in actuality, after World War II, through political propaganda and interventions). The strategy proposed by his main rival in exile, Trotsky, the promotion of a permanent revolution (social and political), around the world, was equally, just politically based, ignoring Marx's ideas about the role of economic linkages between countries in spreading a mode of production.

The Soviet regime ignored the concept of economic social formation, developed by Western Marxism (Sereni & Luporini, 1974). While the mode of production is an abstract concept, referring to the forms of the social relations within the process of production, economic social formation considers the real integration of

already existing societies into a new mode of production.

Thus, in each geographical region, past social components were absorbed or adapted into new social formations. We see this today in China. However, the Soviet Union did not integrate its past nascent capitalist institutions in its new system, and did not establish economic ties with capitalist countries.

Actually the Soviet Union pursued the same road followed by every national state: defense of its state interest (its internationalist fantasies were soon subsumed).

China as the current communist super power.

A communist-armed revolution, started during the 1920s led by MAO Ze-dong, who ultimately took the power in China in 1948. Unlike the USSR, where the revolutionary movement was centered on the urban masses, in China, conflict for a new regime occurred in the countryside. At the beginning of the new regime, in a country mostly rural, one saw the establishment of a totalitarian regime with the cult of MAO.

After a long period of isolation, China began to develop its urban culture through industrialization and controlled rural/urban migrations of millions of people. The country shifted also toward economic exchanges with major capitalist countries and to introduce some aspects of European culture. These policies mended the damage of their prior isolation, despite sharp ideological debates within the Party, ZHAO Zi-yang and DENG Xiao-ping emerged to preside over China opening up. China is still an authoritarian regime, but opening up seems to have been very good for the country.

Consider other important differences between the Chinese and the Slavic nations. China has never had the idealistic values of Christianity; instead, it had a millinery tradition of materialist practices, commercial activities, and patient negotiations. They enjoyed the benefits of a huge Diaspora of tens of millions around the world, living mainly in the world's largest cities and involved in commercial activities.

The traditional Chinese social family structure sustained Chinese identity among the Diaspora population and assured their continuing links with the country of origin (It is interesting to note that, actually, the millenary history of two unique populations, Chinese and Jews, are related in both cases to family linearity and to the idea of ancestral families).

Relations between China and the Chinese Diaspora strongly influenced the opening of communist China to interchanges with the capitalist West. However, to understand China's more open interchanges with the capitalist system, when compared with the behavior of the late Soviet Union, it is certainly more important to consider time as the critical element. China had the chance to learn from the Soviet failures and from the contemporary new scientific and political thought, while bringing back some classical Marxist theories. Thus, while building a new modern urban society on its territory, China, selected less contentious political and economic ties with the West. It is not yet capable of emulating civil society in its incarnation within representative government.

Let's remember that for Marx, socialism implied in a *humanist society*, a free society (Marx & Engels, 1996). Thus, China's current rulers present the country as being in transition, and they employ a hybrid expression proposing a Socialist Market system for the future while maintaining the power of the Communist Party. Thus, differing from the former Soviet Union, Communist China includes domestic private sectors in its economic development, opens its territory to foreign capitalist investments, and does not use ideological propaganda to enlarge political influence, but uses its economic achievements instead.

The World-System Order After World War II

After World War II, some Marxist sectors considered the inevitability of a third world war as an expression of capitalist needs, but that war never occurred. They believed that the West needed to destroy people and infrastructure to maintain their hegemony and to avoid overproduction.

Other historians argued against such a mechanical interpretation. They exposed the controversial cultural influence of the aristocracy (or elites) in state decisions played out in European wars. This theory was very well represented in Jean Renoir's movie, *La Grande Illusion* (1937).

One may accept both ideas, considering that in social processes, there is not one unique acting factor, but a convergence of interrelated factors. For example, to start a car, one turns on the ignition but running it depends on a complex interrelationship of parts. Thus, a historical movement can begin with a single event but its development will depend on a complex structure. The murder of Franz Josef's nephew and heir was the ignition key that began World War I; but a structure of economic and political forces developed the conflict well beyond its origins.

The new global order introduced after World War II provided a huge financial sector and transnational corporations, together with the fear of nuclear holocaust, which provided the structure of negotiation between states and avoiding major conflicts.

Two Superpowers and New International Institutions (Wallerstein, 2009)

After World War II, two superpowers emerged, the USA and the USSR. A number of new international institutions were created to enlarge the field of multilateral negotiations among nations, such as the UN (United Nations), the IFM (International Monetary Fund), WTO (World Trade Center), UNESCO (United Nations Science and Cultural Organization), and others. The dollar replaced gold as international monetary standard. Formal fascist parties and literature were forbidden—at least in Europe.

Decolonization

The interests of the two superpowers converged in ending the historical forms of European and Japanese colonial empires. The ideology of decolonization lies in the origins of both the American and the Communist revolutions. For the US, there was a need to dismantle colonial empires to expand its own form of capitalism. Globalization, in its current form, is inconceivable in a world of traditional colonial empires.

By transforming the Russian empire in a union of socialist republics, at least in its formal aspect, decolonization occurred inside the USSR (One of the Republics, presented itself as the Russian Federation. Contemporary, Russia still presents itself as a Federation). For the USSR, decolonization outside gave them opportunities to enlarge their own political influence, by exploiting the nationalist feelings against the former colonial powers. In a strange confluence of agreement, Israel was created with the vote of the two superpowers. When the Soviet Union found that Israel would not be tilting toward a satellite role, they dropped their support in favor of the Muslim world.

Israel's creation owed its origins to the national liberation movements that arose as large empires collapsed during World War I. These movements had begun during the 19th century, starting with the weakening of the Ottoman Empire and resentment against the Russian Empire. Without historical political territorial roots in Europe, which regarded nationality as strictly indigenous, the Jews sought a return to their ancient roots, Israel, where there were still Jewish communities living among Arab populations.

American Capitalism and Its Financial, Economic, and Cultural Forms (Hardt & Negri, 2000)

The US was the unique industrial power not affected by the World War II territorial destructions. Having developed production capability to sustain the war, when the war ended, the country emerged with enormous capacities that enabled them to play a major role in post-war recovery.

On the other hand, the price paid by Soviets in the war initially earned respect and inspired many in the West to seek more social equality. Eyes turned to the Soviet Union, particularly among the lesser developed, because people were impressed that such a backward economy could emerge as the world's second superpower.

In a planet that was shrinking under technological advances in communication, information, and transportation, the peripheries and their newly independent states wanted more participation in economic and social benefits and in world political decisions. The urbanization that accompanied capitalist diffusion was opening, simultaneously, space for further foreign investment and for the increase of the nationalist movements.

The result of both movements, the diffusion of capitalism and that of socialist ideologies created worldwide confrontations between capitalism and socialism. But as the USSR was beginning to implode, another movement emerged: a global movement of militant Islam, fueled by capitalist oil and Nazi totalitarian ideologies.

A USSR/US Competition for World Hegemony

The US was in a position to offer the Marshall Plan aid with more than 11 billion nominal dollars to enable Europe to rebuild after the war. In its defensive policy, a characteristic of personal dictatorship, the USSR refused to be included and prohibited its European satellites, the so-called "Popular Republics", to accept it.

Communist Russia saw the US as an enemy trying to destroy it by any means. It did not understand, or did not want to understand, the capitalist strategy of negotiation. European and Japan were rebuilt with the participation of American capital (Wallerstein, 2009).

Development aid brought with it great affluence in the countries accepting it, making stark contrast with those living under the Soviet umbrella. Even further putting to pasture Marx's predictions, Western capitalist countries enlarged their social services providing, without revolution, welfare states. Western communist parties became unable to enlarge their political representation. In France and Italy they almost took the power by vote.

Western leftists counterattacked by raising anti-consumption campaigns and environmental issues. At the beginning of the 70's, for instance, critics centered on the competition of automobiles for urban space and the abandon of down towns in many cities. This movement was one of the roots of the contemporary "green" movements.

The Soviet Union, however, struggling with reconstruction of their war-damaged empire and heavily spending to compete with the US in military technology and a huge army, civilian needs were ignored. They tried to take advantages from crises and unrest in the periphery, in Korea, Cuba, Vietnam, Arab countries, and some African states, with the aim of enlarging its sphere of influence. Soviet Union became a first-world military power with a second-world economic and social infrastructure.

In such a climate, the two superpowers sought military alliances. NATO (North Atlantic Treaty Organization) played an important role in the Cold War and exists today, beyond its original purpose. Both blocs experienced dissatisfactions and dissensions. In the East they were related to the imperialist soviet economic and political impositions.

In countries where socialism was installed by domestic movements, with such charismatic leaders as Tito and MAO, breaking ties with the Soviet Union did not bring military intervention. This was not the case in the Popular Republics where communism was imposed from outside.

From the Cold War to Near Conflict and Ultimate Condominium

In 1962, the Cuban missile crisis reached the most dangerous point of the Soviet/American confrontations. The horror of a nuclear war appeared clearly and served a deterrent to the dangers of war. At this time, de-Stalinization had already begun in the Soviet Union, slowly, gradually. A new political climate involved the World, creating a situation called an American/Soviet condominium, where the two tried to achieve understanding about international issues and present them for international acceptance. The military alliances lost their functions and were replaced by the Common Markets of countries. In South America, the Mercosul, the joining of Argentina, Brazil, Paraguay, and Uruguay emerged by the end of the 1980s.

Deep Technological, Economic, Social and Political Transformations

As the political race between the superpowers was going on, deep changes were occurring in within capitalism. World War II was a main source for new inventions: jet planes, radar, computers, antibiotics, and nuclear energy. The cold war was also a component, together with capitalist interests in maintaining the technological race.

In the technological field, the Informational Age began, inspiring Castells to propose “modes of development” (1989). Contemporary form of Globalization is unthinkable without its electronic web, flows of capital finance, and relations through Internet by international urban social movements. The formation of the so-called social capital is a result of the Informational Age. Other outstanding achievements have been the human adventures in both outer space and in the micro atom and cell spaces.

An Important Class Structure Change

The social changes have ushered in the decline of industrial labor, not only in the developed world, but the emergent lesser developed too. This movement is related to the introduction of more sophisticated machinery, robotization, and automation. On the other hand, the huge increase in number and size of private corporations, with their R & D (Research and Development) centers, the higher sophistication of State administrations, and an extraordinary expansion of the academic activities, all contributed to an increasing presence of a class of capital managers and venture capitalists.

Using the “selective affinity” principal, one takes Kalecki’s (1954) terminology to name the components of a new class formation, present in advanced economic societies. They would be capitalists, wage capitalists, and wage laborers CEOs and directors of corporations, conductors of financial institutions, top State policy decision makers, high senior D & R academic professionals, among others, would be wage capitalists. The political and ideological importance of the fact is that those people will tend to merge a capitalist with a labor conscience.

Marxist thought once suggested that in a change of a mode of production, the dominated class takes power over the previous upper class. However, one did not see, at the end of the feudal era, the serfs reaching the top; rather the new urban merchant class was elevated, so well described by Shakespeare’s *The Merchant of Venice*. Later, the merchant gave way to the industrialist, forming together the bourgeoisie.

In the same way, one can see the wage capitalist class of the private and of the state sectors acting together as the new decision makers. It is apparent, for now, that neither the old capitalist forms, nor socialism based in past ideas, but a more complex hybrid system containing elements from both.

Another view of current social structure in developing societies is given by Rajan and Zigales (2006), who identify three layers of constituencies. They define a monopolist population sector, an educated population sector, and an uneducated population sector.

Neoliberalism, Virtual Financial Sectors, and Globalization

Neo liberalism.

During the 1960s, the pace of the capitalist accumulation declined. Increasing costs of the state social net, nationalizations of major enterprises (such as the coal mines in England, made by the Labor Party), were identified by the conservative parties as the reasons for the decline. Nationalized enterprises, for instance, are much less concerned with efficiency; their deficits are simply thrown into the state treasury.

Social services such as health or education are inelastic in economic terms, and their expenses also grow because of new technologies. Then life expectancy increases as the elderly increase their percentage in the population because of health advances. Health costs and retirement costs thus increase.

Neo-liberals (conservatives) proposed limiting the state social expenditures and returning to privatizing state-owned industrial enterprises as well as some infrastructure.

President Reagan and Margaret Thatcher became the symbols of the implementation of the new economic policies, respectively, in the US and UK. Since that time, there has been an ongoing political/ideological conflict in capitalist countries between state-run programs and those supported by the private sector in the national economy.

1968.

At the end of the 60s a new generation appeared on the scene, one that was not alive during the World War II. Some were actively dissatisfied with both Western and Soviet models. In the West, these critics decried involvement in wars at the periphery, sustaining colonialism, support for corrupt reactionary regimes, maintenance of traditional bourgeois values, or blindness to social inequalities. In America, this was epitomized by the “hippy” movement, accompanied by unrest in the American universities. Simultaneously, major racial and gender revolutions erupted.

The emblematic moment for this discontent was May 1968, when the university students of Paris occupied the streets for their manifestations with similar critiques. The importance of the events in Paris was because of the disruptions in the streets of a national capital, disturbing its daily routines, challenging the national government, and provoking international echoes.

In Rio de Janeiro, 100,000 people led by students poured out onto its main Avenue, Rio Branco, shouting for democracy and opposing the military regime installed in 1964.

The significance of the May 1968 Paris demonstrations is that it indicated a split between traditional left French parties and a new left. Because they were raising cultural issues, not wage increases or other work issues, the strong labor union, the CGT (Confederation Generale du Travail) did not come out in solidarity. This was also a period of uprisings in Eastern Europe against the Soviet occupation—which was harshly put down by the

Russians. The new Western left was taking positions against Soviet interventions, something the left had never done before.

In the East, following the revolts in Berlin, Warsaw and Budapest, *Prague Spring* took place in 1968. The impact of the revolt in Prague was significant because, while the other capitals were in countries known for reactionary regimes before the war, the Czech Republic presented a long tradition as a democratic society and had its own socialist parties. For all these reasons 1968 marked the ideological transitions after World War II. It signaled need for new forms of democracy and socialist ideologies.

Derivatives.

At the same times, by the 70s, on the capitalist economic front, capital managers of the financial sector were introducing new kinds of financial instruments, such as betting about the future values of commodities, currencies, and other types of goods.

Then, this system went on to bets on the betting, the *derivatives*. Virtual economy was the name given by economists to this sector of the economy, and diffused by the media. This activity expanded rapidly over the world reaching trillions of virtual dollars, in 2008, more than the 50 trillion estimated for the gross domestic product of the world. A larger part of these virtual dollars evaporated in the current global economic crises.

The crisis started in the US in the housing finance sector, but the relations between a structure and an ignition key had already begun. Virtual and real economies are interrelated, affecting all kinds of activities and employment.

The development of the virtual economy, invented by the capital manager class, had its feedback, enlarging the size and the number of financial institutions and the number of people involved in this financial sector. Naturally it also increased the wage capitalist class. On the other hand, huge sectors of the middle classes, around the world, were attracted to enter this game, increasing the social losses provoked by the current crisis.

The End of the Former Soviet Union

The main problem with the former Soviet Union was its inability to produce a civil society. This is clear from how easily the Soviet Union dissolved. The Supreme Executive Committee of the State, supposedly representing the Soviet people, tried to take down reformist President Gorbachev, who was urging restructuring, economic reforms and transparency in governing (all very alien to Russia's experience). But it was too late. The extreme bureaucratic regime lost its capacity to survive.

The fall of Berlin's wall; the end of the Soviet Union; the euphoria with a new cycle of capitalist accumulation, made some believe in the end of history (Fukuyama). Socialism would be buried. Actually, the concepts of capitalism, internationalism, and socialism are changing.

Contemporary Globalization

Since the end of World War II, we have seen continuous technological advances and increases in tourism, financial investments, museum collections for exhibitions abroad, parts for car assembling, and much more. These were the early steps preparing the current framework of globalization. Today all these networks have been connected and are communicated on Internet. We have a "shrinking" earth.

As usual, this intensification of interchanges around the world has brought two kinds of reactions: on one side, the support for increasingly convergent relations between nation-states for a global order; on the other side,

dissatisfaction among those living in feudal or peripheral states. The idea of globalization causes debates mainly about current international relations among states (possible loss of sovereignty) and differences in social values between the advanced and feudal-reactionary societies.

The term *globalization*, while new to many of us, is not new in historical circles. Many believe that the process of globalization began when human beings first peopled the entire globe—and in particular, with the Age of Discovery in the 1500s, in which the eastern and western hemispheres became known to each other. Or, as Braudel would say, there have always been world economies.

However, we can justify restricting the term to the present because it has finally been internalized in all our media and in global popular culture. Also, it carries with it the idea of higher international collective action by the nation-states, handling a range of issues that must be addressed internationally.

The Geography of Globalization

Globalization has brought a new capitalist geography. Decolonization was an indispensable first step. Now, urbanization and formation of a middle class in the periphery is the next step of the globalization process. It is happening in China, a country that is moving from the conditions of periphery to that of second world leader because of its GDP (Gross Domestic Product), and where an ongoing process of urbanization is involving hundreds of millions people moving from the rural areas. It happened in Brazil, now with more than 80% of its population living in cities.

Regional Geography.

The previous traditional capitalist center (the US and Europe) is still the main mover of world economy. These member states have organized themselves into a group named the G-7 + 1: the US, Canada, Western Europe, and Japan—and for practical purposes, include Russia. These states have the highest per capita incomes. Russia is included for geopolitical reasons—and for its valuable natural gas resources, much needed in Europe.

Opposition to the G-7 comes from the extreme political left, traditionally anti-capitalist, and now joined by environmental groups.

The new world map shows the hierarchical elevation of a group of emerging economic and political powers, the BRIC (Brazil, Russia, India, and China), countries characterized by continental or sub continental size and populations from more than 120 million to more than 1,200 billion. They show the highest industrialization and economic growth rates; China's GDP is reaching 9 trillion dollars per year. The appearance of the BRIC seems to affirm that national economies of continental size will play a larger role today, a process that started with the US. It's not just the size of the land mass and the population; it's the speed at which their economies, and particularly their middle classes, are growing. With this comes other increases, e.g., India and China are increasing their investments in R & D much faster than the G-7.

It is interesting to observe changes of political behavior in some Brazilian social sectors. While Brazil is rising economically and politically in the world, no longer regarded as a backward Latino country, critics who once blamed globalization now blame the management of globalization by the American and European leaders.

A third hierarchical level is comprised of smaller developed or emerging countries. A number of them, as Taiwan, Malaysia, Indonesia, and South Korea joined the BRIC to form another institutional group, called the G-20. Some see Mexico and South Africa eligible for the BRIC in the near future, to form the BRIMSC. Below

these smaller emergent countries, come other levels, the last with less interest in international investments. Political reason is also leaving some countries out of globalization, as it is the case of North Korea.

US/China economic ties.

The economic ties between the US and China are increasingly intertwined. American and other western companies invest heavily in China, bringing China into the larger world economy. Because of the advantage of low labor costs, China has become a large exporter of industrial goods, the US being its major customer.

The commercial balance is very negative for the United States, largely because of its balance of trade deficit, among other things. However China employs its huge currency benefit by buying American government paper, thus sustaining American consumption. In other words, while China is oriented to saving, America is oriented to consumption, financed by China.

Let us observe that Chinese dollars go to the American government, not to consumers, who use their credit cards. Neither, they go to the Chinese consumer. China does not use its dollars for a larger increase of its domestic consumption, for a valuation of its currency and a larger increase of its wages. Some economists see in this disequilibrium one of the roots of the present world crises, a crisis that may end the use of the dollar as the global currency of preference. Given the huge reserves of the dollars held by China, it depends in some measure on Chinese policies.

Centrifugal and integrating movements.

Globalization has increased the speed of integrating cultural attributes around the world into an “international” whole. We see Chinese, French, and Italian restaurants, Sushi bars, and American popular foods, in every city. The same Lacoste shirts, Adidas tennis gear, the Visa or MasterCard credit cards are everywhere.

However, the same speedy globalization has influenced some of the more destructive movements of some traditional societies left behind. Although traditionally conservative, they are happy to use the most lethal tools of modern weaponry and the most advanced modes of communications. The Iranian Islamic movement, the Taliban and al Qaeda in Afghanistan and Pakistan are examples of this.

Let us remember that in events of 9/11, al Qaeda terrorists, representing the most reactionary aspects of Islam, did not hesitate to use the most contemporary institutions: using private flying schools to learn how to pilot heavy airplanes, and using modern communications systems to coordinate their actions.

Given the fact that globalization is linked to capitalist expansion, it has received opposition from leftist circles in the West. Some of these sectors were offering some kind of support to nationalist movements in the periphery and to militant Islamic regimes. These regimes adopted elements of Fascist ideology. Fascism did not disappear after World War II.

Lead and lag time.

One important element in understanding progress is that cultures once at the apex of development can lose their edge. Islam during its Golden Age—our own Dark and Middle Ages—lost its power and subsequently went into sharp decline. Much of the Muslim world today, although enjoying many of the benefits of the modern world, is psychologically at a loss. At their most backward, they are feudal and tribal, and at the more modern end, authoritarian or totalitarian.

Even the decolonization of Arab states from their former colonial master, the Muslim Ottoman Empire, did

not help them to advance. Democracy has not done well in the region which is rife with social inequalities and corruption, and civil society is fragile at best.

The creation of Israel has brought into sharp perspective how badly the Arab (and Muslim) world has modernized. Israel appears to them as a western plant in their midst, and there appears to be little possibility of resolving the hostility.

Fascism and fundamentalist terrorism.

Even before World War II, it was not easy, in many situations, to distinguish between Communists and Fascists. Both were decidedly anti-democratic and supported totalitarian governance. After the War, from the end of the 60's to the end of the 70's, some declared Leftist underground terrorist factions, as the Baader-Meinhof, the *Red Brigades*, and the *Red Army*, exemplified the fascist/communist mimetic. They appeared in the same countries which during the War constituted the *Axis*, the Alliance between Germany, Italy and Japan. Also, their appearance occurred when the so-called American/Soviet condominium was being installed. The young members of the Baader-Meinhof group presented the same permissive sexual behavior as of the young people in *Woodstock*, 1969. Actually, the Baader-Meinhof movement can be considered as a violent fascist branch, parallel to other, but pacific, 68 movements, directed against, American capitalism and Soviet official, formal, communism. The movement involved confused young minds inheritors of fascism and communism. Recently, past leaders of the Baader-Meinhof, released from prison, joined the current extreme right German parties.

These underground terrorist factions adopted anti-Semitic postures, as in the case of the hijacking of an Air France airplane to Entebbe. They established ties with secular Palestinian movements, who they learned terrorist practices.

While Western and Japanese political underground movements were declining since the 80's, the Muslim underground movements have grown increasingly. The majority of them showed the dropping of the secular socialist mantle and the taking up of an Islamic fundamentalism. Winning clerical and popular support, offering alternative to local corrupt regimes, reached public status, as Hamas in Palestine. Hezbollah, in Lebanon, reached power representing an increasing sect organization facing other faith groups. In Egypt, the Muslim Brothers remain in clandestinely. The increase of a culture of violence, brought together with this development, diffused a new kind of terror, the one of the suicide bombers.

Among extreme fundamentalist Arab wings runs the idea of a re-establishment of the Caliphate, an institution dead for many centuries. In Iran, the State was taken by a well organized clerical layer supported by large popular fundamentalist masses. The Islamic Republic of Iran became increasingly dangerous to its neighbors and potentially to the world. Iran supported ideologically and with weapons violence made by Hamas and Hezbollah. Violence directed not only against Israel, but also against more moderate Palestinian and Lebanon institutions. At the present one sees a growing movement of resistance developing inside the more educated Iranian sectors, against the clerical regime.

In 1939, the Ribentropp/Molotov agreement did show the possibility of collaboration between communists and Nazis. One of Stalinist faces. Later the domestic totalitarian aspects of Stalinism appeared more clearly. Winning power, or influence, in some periphery states, socialist movements seem to continue with the lemma that "the ends (very far) justify the means". The same sin they throw on the capitalist countries (although, the

capitalist ends being closer). The support for Islamic fundamentalism only maintains the idea that socialism is compromised with a totalitarian regime.

Skinheads, for example, who terrorize people in Western cities, really cannot give sequence to a political movement of fascist nature, or take over a society. One reason is that they do not have written principles, a *great narrative* (Lyotard, 1996). Much more dangerous, for a diffusion of ideologies of Fascist nature is organizations such as Hamas and Hezbollah, both with explicit written statutes, and both increasingly supported by the Islamic Republic of Iran.

Diversity Does Not Mean Inequality

Natural History teaches us that life developed over the Earth's surface through a process of increasing biological diversification and the appearance of new species. The current movement to save species in danger of extinction is devoted to preserve natural diversity. Before the arrival of mankind there was no any form of social barriers to impeach the free linkages between species. The development of social life also included a continuous increasing of cultural diversities and complexities. Social diversity derives from the different material and spiritual products produced by different societies. The societies are capable to interchange their productions, because the men are equals by nature. Thus, one cannot take social diversity having the meaning of social inequality. Inequality results from advantages socially obtained by some people, or by social coercions imposed on some people.

Civilization progress aims to overcome the different human right values between national groups and reach an agreement on universal values. The UN Declaration of Human Rights expresses this proposal. However, deliberately, confusing inequality with diversity, fascist, feudal or theocratic states impeaches diversity inside their countries, while impeding the free cultural interchange with other nations. Many left sectors around the world are giving support to such policies in the name of the diversity principle. It is an opportunist behavior, in support of fundamentalist states, because they are following in an anti-Americanism and anti-globalization movement.

Post-Modernity, Indigenous Movements, Trans-Modernity

One aspect of post modern culture lies in the re-appearance of past values, mixed with modern values, in forms of hybridism. In Brazil, for instance, during the 30's, the modernist and nationalist ideology was to impose cultural adaptation of the remained Indian tribes to Brazilian culture. Nowadays, after urbanization and the development of nets of urban social movements, dominates the ideology of leaving to the Indian tribes the decision about their wanted degree of cultural adjustments.

In the South American Andean Cordillera region, one sees a renaissance of a political presence of pre-Colombian populations, as *Aimers*, *Quiches*, in Peru and Bolivia.

The periphery of the historical capitalist European and North American center is enlarging its contributions to the World economy and culture. It influenced the appearance of a "post colonial theory", and a proposition to replace the term post-modernity by "trans-modernity" (Dussel, 2002). Trans-modernity would express the cultural confluence from all parts of the planet to establish a world culture.

The World in Crisis

In the midst of a world characterized by globalization, multiculturalism, hybridism, and cultural borrowings, a deep economic crisis has exploded. Although this crisis resembles in many ways the one that began in 1929, the worldwide Great Depression, we should remember the Chinese meaning of the word crisis—opportunity—an opportunity to rethink the global system and its processes.

Scope of the disaster.

As in the 1920s, the epicenter of the crisis started in the center of capitalism, producing waves involving the entire world, and bringing general decline of production, unemployment, dissolution of huge amount of capital, and retraction of credit. However, although the crisis in 1929 brought the rate of unemployment to about 40% of the working force, it is now only between 7% and 10% in the US.

This is because of beneficial changes that were instituted after 1929: interaction between private and public sectors, more sophisticated instruments to follow the economic financial evolution, and more protective security measures taken.

Structural or management failure?

Certainly, the crisis has roots in management failures, as for instance poor state regulations over the speculative financial capital. But the crisis also has roots in social and geographical structures. Income inequalities increased during the period of financial speculation, and savings habits declined. This crisis did not appear suddenly, it was preceded by a number of other smaller crises with epicenters in different locations, as in Japan, Russia, *Asian Tigers*, Mexico, Brazil, and Argentina.

Confronting the crisis at government level.

There have been national investments in private banks and industrial enterprises to save them from default. In some cases, federal money has been given to enterprises in exchange for shares and some controls over their administrative practices. Theoretically these provisions appear to be loans, not nationalization. We have yet to see when these enterprises will be able to reacquire their shares. However, a new social culture is being introduced, stronger than state regulations, and that will certainly survive the crisis. There is keen attention to the swollen salaries of CEOs vs. the salaries of workers, a differential that has widened over the past 30 years.

Another new institution to watch is the strengthening of permanent bilateral and multilateral agreements between and among the world's main capitalist countries. This is very different from the scenario of the 1930s, when Roosevelt provided his New Deal for the US and Hitler went for state capitalism and war to solve Germany's crisis.

The actions made by the government levels around the world are showing two important things:

The possibility of introducing socialist orientated measures, in light forms, in capitalist economies, even in the USA, the champion of a minimal State and of a free market; The possibility of an increasing political internationalist process, deriving not from armed crowds, but from interchanges between nations, through their governments.

What About the Future?

What was and what is the main aspect of Soviet or Chinese Socialism? A government with all power presided over a weak civil society and a weak free market. What about American capitalism? It is managed by a large layer of capitalist wage managers that interacts with a smaller layer of government managers, both

responding to a strong democratic society, but strongly submitted to the market.

The growth in number of the wage managers of capital in the capitalist system is a process related to the historical development of the American corporate system, which has since become a transnational system. These managers are university-educated technocrats, not as in the past when there were mostly family-owned firms. In the US, such capital managers move easily from the private to the public sectors, and back again.

China, with its socialist system, also has university-educated technocrats, paid by wages and serving in private or public enterprises, but not migrating from one to another as yet—but that may be coming.

In an age of hybridism and increased complexity, the future seems to promise a new world system with fusion of socialist and capitalist components. Certainly, with the spread of free information and democracy, we may yet be capable at last of addressing the age-old problems of poverty and ignorance. Our past systems never could deal with this.

Conclusions

A better knowledge of the real of a thing requires a critical distance from it, to appreciate its external forms, and in a contradictory manner, it also requires a deep penetration in its insides to define its essence. Yet one does not have both, to better define the nature of the current mode of production. Some, like Julie Graham and Katherine Gibbson say that it is not a capitalist as we knew it. Capitalism started by the 18th Century but its concept and name was established much later. When Soviet Union disintegrated by the 90's many hailed the end of Marxism and Socialism, but it is more alive then ever, and many predict the current Century as the Chinese Century. Traditional forms of democracy are challenged by new forms. China is talking about a *socialist market economy*, while international interchanges are growing inside all social instances. Thus one proposes the change of the traditional Marxian arrow to the form > capitalism > internationalism > socialism.

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