

## Introduction

Winds of change are sweeping across the world. In the Arab world of the Middle East and North Africa these winds were released by pent-up resentments against a very authoritarian form of capitalism, and have taken the form of spontaneous uprisings and resistance against authoritarian class rule and the demand for regime change and democracy. In China, and to a lesser extent in India and elsewhere in South East Asia, the forces of change are generated by a process of rapid capitalist development and the associated forces of productive and social transformation—forces that are converting masses of the rural poor, tied to the land, into a proletariat of wagedworkers, and transforming an agrarian society dominated by precapitalist production relations into a class-divided society based on a capitalist mode of production. The forces of change operating in this part of the world are ‘progressive’ in the sense that they are contributing to an enormous expansion of the forces of production—a rapid rate of economic growth. They are retrogressive in that like capitalism elsewhere and earlier—in the twentieth century in much of the world—this development is highly uneven and is based on exploitation of cheap labor, and the production of a surplus population and the immiseration of the rural proletariat, leading to the growth of class struggles in the countryside and in the burgeoning cities—struggles that will take different forms depending on culture and circumstances.

In Latin America, four cycles of neoliberalism policies, implemented in conditions of a Washington-based consensus on the need to liberate the forces of economic freedom from the regulatory constraints of the welfare-development state, are drawing to a close. Three decades of neoliberal policies have produced conditions that have bred and given rise to forces of resistance against both neoliberalism and US imperialism. In the vortex of these forces and a multi-dimensional crisis—a financial crisis that is threatening to morph into a broader economic crisis—the region is on the threshold of change in the struggle to shape the future. At stake is a world to win. At issue is whether to advance capitalism in some form, and to protect it via the exercise of imperial power? Or whether to turn towards socialism.

The Inter-American Development Bank in July 2010 declared that this would be ‘Latin America’s decade’. A few months later, *The Economist* endorsed this idea, which has since been repeated by countless apologists and experts. There is nothing like a little economic growth to get pundits’ juices flowing. And Latin America is growing, by 6 percent in 2010 and an estimated 4.75 percent in 2011, according to the IMF. Compared with the region’s mostly sluggish performance over the last three decades, this looks like takeoff velocity, giving rise to a bullish

mood and another outburst of cautiously optimistic prognostications. However, the mood regarding Latin America was equally optimistic at the start of the 1980s. At the time bank access to international capital was easy and loans were plentiful, and countries like Argentina, Chile and Uruguay were growing fast. But then Paul Volcker increased interest rates in the United States, the dollars went home, most countries defaulted on their debts, and the 1980s became for Latin America a 'lost decade'.

The early and mid-1990s saw another wave of optimism, and the IMF and the world business press were euphoric about the 'bold policies' that the governments of Chile and Mexico were taking on the path to recovery and growth. Commodity prices were high, external financing plentiful, and many Latin American countries were growing. Having adopted the 'bold' liberalizing reforms dictated by the Washington Consensus, Latin America was thought to have turned the corner. But then came Mexico's Tequila Crisis in 1994, followed by the Asian meltdown, which hit Latin American economies hard. Brazil blew up in 1998, and Argentina went into a meltdown in 2001. But then within two years Argentina had recovered and, together with other countries in the region, rode a wave of booming commodity exports to another spurt of economic growth—before the boom went bust in the ripple effects of a 'global financial crisis'.

And, what is the situation today, two and a half years later? The region shares two features with the earlier episodes of financial euphoria over Latin America: sky-high commodity prices and cheap international money. In fact, for many countries, the terms of trade are higher and the relevant global interest rates lower than they have ever been. These factors, more than a shift in strategy ('bringing the state back in') and policy (beyond neoliberalism), or regime change (a move to the center-left) in recent years, seem to be propelling growth. Indeed, today there are two Latin Americas: natural resource-rich South America and natural resource-poor Central America and Mexico. Not surprisingly, South America is growing much faster than its neighbors to the North—4.4 percent (versus 2.7 percent in 2010–11), according to a recent Inter-American Development Bank report. The report estimates that Argentina's economy will expand by 6.1 percent, while Costa Rica's will grow by 3.8 percent and El Salvador's by just 1.6 percent.

Abundant international capital is also a factor. The financial markets' new darling is Brazil, which grew at a breakneck 7.5 percent pace in 2010, fueled by almost \$100 billion in capital inflows, and—according to some—long strides taken in the direction of reducing both the rate of extreme poverty and one of the highest rates of social inequality in the world, thereby removing what World Bank economists now believe to be a major structural impediment to economic growth. Does this success herald a new form of post-neoliberal capitalism—the capitalism of the twenty-first century? Or will the capitalism of the twenty-first century take the form that capitalism appears to be taking in Mexico—what we term (and discuss in the Conclusion) as narco-capitalism?

Looking beyond Mexico, Brazil, China and other countries in the different regions of the world it is evident that capitalism has become a world system,

the latest advances in information technology and the policies of the neoliberal world order working to integrate economies across the world into one system, one world. However this development has been and is very uneven, resulting in a new realignment of world economic power.<sup>1</sup> China is taking over from the United States and a new bloc of medium-sized economic powers has been formed to make up for the declining economic dynamism in the United States and Europe. In the context of this realignment, the eclipse of US power and an associated restructuring of international relations, there is a general agreement that the twenty-first century is shaping up to be China's century. What is uncertain is whether China will become a new hegemon and what position the United States will have, and what role it will play, in the emerging world order. Also at issue—which we address in this book—is whether national development in this new context will take a capitalist or a socialist form. And if capitalist, in what form?

In this book we argue that the world is at the crossroads of fundamental change, the conditions of which are unlike but yet comparable to conditions almost precisely 100 years ago when Rosa Luxemburg summed up the world situation in the formula: barbarism or socialism? We advance this argument in the concluding chapter. As we see it, capitalism in its relatively short but advanced neoliberal phase has set the stage for a momentous but as yet indeterminate struggle to organize and mobilize the forces of change in possibly a capitalist or socialist direction. In the current conjuncture of a system in crisis, a major realignment of world economic power, the waning power of the United States to manage events and dictate developments, and the demise of neoliberalism as a mobilizing ideology and economic doctrine, the probable outcome is uncertain. But given the high stakes—a world to win—we need to understand better the forces at play. This book is designed as a contribution to this end, and, it is hoped, to stimulate debate.

## Capitalism, Imperialism and Socialism at Issue

Part I of the book is concerned with the contemporary dynamics of capitalism. The chapters in this part examine the workings of the capitalist system in its global and regional operations, with a predominant focus on Latin America. There are four defining features of capitalist development in the current capitalism in conjuncture of a system in crisis, a system that is undergoing a major epoch-defining shift

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1 At this point of time this realignment of world power is primarily economic, but there is growing evidence of developments that will lead also to a realignment of military power. The United States, with its superior military technology, the weaponization of space and its global reach still exercises hegemony at the military level. However, a number of world news reports have documented the growing power of China, in regard to a massive build-up of military technology and a series of alliances, particularly with Russia, in regard to an assault on the unipolar world of US power. This alliance, it has been argued ([www.heritage.org](http://www.heritage.org), September 30, 2005), constitutes a major threat to US military supremacy.

away from neoliberal globalization towards a new post-neoliberal state and a new developmental dynamic.

The first dynamic is associated with what has been termed the 'inequality predicament'. The predicament is that in the drive to accumulate capital the system leads to an unequal distribution of wealth and income, the conditions of which threaten to undermine stability and the system itself. In the twentieth century the trend towards deepening social inequality was somewhat contained (by the welfare-development state) and the class conflict that it propagated was manageable and was managed. However, in the new world order established in the 1980s, the drive to accumulate capital was released from constraint and the resulting inequality predicament of capitalism gave rise to forces of resistance, which led to the demise of neoliberalism as a serviceable ideology and economic doctrine for guiding economic policy.

Chapter 1 establishes several fundamental laws or dynamics of capitalist development, including a propensity towards crisis, unevenness in the development of the forces of production, the separation of the direct producers from the land and their conversion into a working class, and the polarization of a class-divided society between the rich and the poor. With reference to these dynamics Chapter 2 then explores different dimensions of the 'inequality predicament', namely the social structure that generates it, the international and internal dimensions of social inequality and uneven development, the concentration of wealth and the sprouting of a class of super-rich billionaires, and the main perspectives on social inequality that are represented in the Davos Consensus, the post-Washington Consensus and an emerging radical consensus.

In Chapter 3 the focus shifts towards what we have termed the 'poverty-problematic of capitalist development'. It consists of a fundamental tendency of capitalism towards impoverishing the working class, generating the conditions of global poverty and, in response, a war on poverty (a disguised war on the poor). The chapter describes some of the conditions associated with the problem, as well as the efforts of the development 'community' of international organizations to redress or manage it. The development project, via the agency of the state with international cooperation, was invented to ensure that the poor do not deviate from a capitalist path towards improving their social condition and do not attempt to resist the forces of progressive change.

Chapter 4 is concerned with the dynamics of capitalist development that arise from and are associated with the propensity of the capitalism towards crisis. The focus of the chapter is on the latest manifestation of this propensity, namely, the so-called global financial crisis of 2008. The dynamics of this crisis and its ramifications are explored in the Latin American context. In Chapter 5 we analyze the political dynamics of the class struggle associated with the capitalist development process.

Part II of the book contain four chapters on imperialism in the current conjuncture of capitalist development. Chapter 6 criticizes contemporary theorizing about imperialism for its economic reductionism and a lack of class

analysis and institutional specificity regarding the imperial state. In the context of this argument we establish the importance of class analysis for grasping the changing dynamics of imperial power before proceeding to argue how specific alignments of class forces in the world economy, in their interactions with existing imperial power configurations, are leading to a realignment of economic power in the world capitalist system that constitutes a major challenge for US imperialism in its Latin American operations. In the final section of the chapter we point to the discontinuities and continuities in US imperial relations with Latin America, and the potentialities and constraints of these relations on economic growth and development.

In Chapter 7 we address the issue of US imperialism in the context of the new world order of neoliberal globalization. As we construct it the idea of ‘globalization’, and the associated strategies and policies to bring it about, served to pioneer a more advanced form of capitalism and to establish a new form of imperialism, which is to dictate to governments in the developing world—especially in Latin America—the policies and the regime needed to advance the economic interests of the United States.

The chapter is constructed in the form of four short sections. The first is on the ‘networks of empire’ and the realignment of world power associated with the rise and ascendancy of China in the world economy. The second deals with the impact of imperialism, and US intervention in diverse civil wars, on the growth of skyrocketing crime rates—the long-term growth of criminal violence and other manifestations of social disorder that can be attributed to the machinations of imperial power. The third section focuses on the role of imperial globalization in the rise of anti-systemic, anti-neoliberal, social movements. One of the unintended consequences of the ascendancy of global ruling classes was the rise of large-scale and tumultuous social movements, especially in Latin America, which challenged the rulers, ideology and institutions sustaining the global empire. The relations between imperial globalization and social movements are complex, changing and subject to reversals or advances. In this section we formulate several hypotheses regarding the globalization–social movement nexus over a 35-year period. We then test these hypotheses in the Latin American context.

In Chapter 8 we trace out the changing forms taken by US imperialism in the postwar era of capitalist development in Latin America, a region long regarded by US policymakers as its ‘manifest destiny’ to dominate and control in the national interest of the United States.

In Chapter 9 we examine the waves of unrest and regime change that hit a number of regimes in the Arab world over the past months—the Arab Spring. Our aim is to provide a counterpoint to the various myths that have been propagated about this unrest and regime change in the mass media. The purpose of the chapter is not to recount the story of these uprisings or to predict the possible future scenarios of the revolutionary process in the Arab world. Rather, it aims to draw out some of the broader implications for the Middle East as a whole, and to argue that these struggles are best understood through the lens of *class*

*struggle*. The recent uprisings in the Arab world of the Middle East and North Africa show decisively that class remains the key dynamic to understanding any social transformation and, simultaneously, that the ways in which class struggle is expressed will take a variety of forms that disrupts any reductionist economic or political readings of events associated with the uprisings in Egypt, Libya and elsewhere in the region.

Part III deals with the question of socialism in the current context—the socialism of the twenty-first century. Our position on this question is argued in the form of three chapters. Chapter 10 is essentially a review of the form that socialism took in the twentieth century and is taking today in Latin America. The central focus of the chapter is on the project of Hugo Chávez to turn Venezuela in the direction of the ‘socialism of the 21st century’. However, Chávez is by no means the only proponent of socialism in the current context. The chapter assesses and evaluates the various projects for constructing the socialism of the twenty-first century in Latin America.

In Chapter 11 we turn to Cuba, the most important still surviving example of twentieth-century socialism, and for many in the developing world a model. The chapter focuses on the meaning that might be attached to the economic reforms introduced by Raúl Castro since he took power in 2008. The question is: will these reforms help socialism to survive into the twenty-first century? Or will they place Cuba on the road towards capitalism already taken by Russia, China and Vietnam?

In Chapter 12 we address what we see as the central question: capitalism or socialism? Rosa Luxemburg confronted this question 100 years ago in the form of a fundamental choice faced by people at the time: barbarism or socialism? Needless to say, in describing capitalism as barbaric the preferred option of socialism was a no-brainer. However, that was then and this is now. Nevertheless, we argue that notwithstanding the differences between capitalism then and now, and a century of political practice and experimentation with the ideas of socialism, the dilemma facing people today is essentially the same: either the barbarism of capitalism or socialism. The chapter brings into focus and discusses the horns of this particular dilemma.

The book concludes with a short chapter on the contours of what we deem to be a new emerging form of capitalism emerging in various parts of the world but with its prototype in Mexico. As we see it this new socioeconomic formation, narco-capitalism, has been aided and abetted both by Washington and by Wall Street. A major stimulus for the formation of narco-capitalism has been the war on drug traffickers announced and prosecuted by Felipe Calderón, the arch-conservative president of Mexico. That this war, which has devastated Mexican society and further destroyed the country’s forces of production, was promoted, if not designed, by the White House is well known. Less well known is the nefarious role played by Wall Street and the US banks. As we argue in the concluding chapter, if Washington is the driving force of the war, Wall Street banks have been the main instrument for ensuring the profits of the drug cartels. The point is that these profits and associated fortunes are so huge that they are creating conditions for the

productive investment of some of the profits, thereby leading to a potentially new form of capital accumulation.

Every major US bank has been deeply involved for the better part of the past decade in laundering hundreds of billions of dollars in drug profits. Mexico's descent into the inferno has been engineered by the leading US financial and political institutions, each supporting 'one side' in the bloody 'total war' which spares no one, no place, at any time. While the Pentagon arms the Mexican government and the Drug Enforcement Agency enforces the 'military solution', the biggest US banks receive, launder and transfer hundreds of billions of dollars annually to drug lords' accounts, to buy modern arms, pay private armies of assassins and corrupt political and law enforcement officials. This is barbarism, not at its worst, but barbarism nonetheless. It is also capitalism—the capitalism of the twenty-first century.

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