The Neolibreal Tide I:

The New Global Capitalist System and its Global Society

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From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the Ninth in the series "The Neo-Capitalist Assault" –a collection in development about Neoliberalism.

This is the first of two essays discussing the actual neo-capitalist assault in the last twenty years. Its purpose is to explain how MNCs have overtaken democracy and dictate the policies of governments for their benefit. The essay opens by asserting that the change of economic paradigm in the U.S. was not intended to be a domestic policy but, rather, an instrument of foreign policy to recover the U.S. imperial lustre and enable its corporations to increase and consolidate U.S. power into the new century.

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With the change of economic paradigms during the Reagan administration, the U.S. sought to recover the lustre that it had lost with the defeat of its foreign policy and army in Vietnam and the prolonged recession that prevailed in the 1980s. The promotion of Neoliberalism was not at all intended to be a domestic economic policy. Since inception, it was seen as the policy that would restore U.S. imperialism around the world. The deregulation of industries domestically was intended to promote the formation of oligopolies in all major industries. This was seen as a necessary step in order to expand competitively around the world. Multinational corporations effectively became the sole constituents of the Reagan Era. They constituted the power, no longer behind the throne that could increase and consolidate the predominance of U.S. imperialism for the rest of the Twentieth Century and into the Third Millennium.

Market Democracy and its Corporate Citizen

Since the Nineteenth Century, with the formation of the U.S. industrial structure and the trusts of the Gilded Age, U.S. democracy became increasingly used to be co-opted by the needs of specific interest groups that had the sole objective of advancing their economic interests. These are the corporations that gradually sequestered the rights that originally belonged to individual persons; and, as Chomsky argues, they undermine the real objective of democratic principles. These groups, both in government and in the private sector, have made of the political system a "top-down" democracy designed for the benefit of the corporate individual: the corporation, for the concept of "person" was purposely broadly defined to accommodate the corporation. In this way, corporations that were formerly defined as artificial entities with no rights, acquired the rights of persons; an event that drastically changed the idea of human rights and democracy through judicial decision and intellectual commentary promoted by corporations, instead of through due democratic process via congressional legislation.[1]

Nowadays, at the threshold of the third millennium, the corruption of democratic principles in the U.S. and in most so-called democratic nations, and the direct influence of corporate interests, is no longer concealed or simulated. The lack of real progress, for instance, in regulating the financing of political campaigns in both the Democratic and Republican parties [because neither one wants to stop enjoying the flows of money] has made the idea of "government for the people" a mockery. That is why NGO officer, Jo Marie Griesgraber, questions the plausibility of U.S. voters selecting U.S. representatives and U.S. presidents who are genuinely concerned with the poor, both at home and abroad, if the funds required to run their political campaigns are provided by private interest groups with exclusively self-serving interests. The same thing happens, with its own local flavour, in dozens of presumably democratic countries around the world. The top-down democracy imposed by the local oligarchies in permanent alliance with the centres of economic and political power, mostly in the U.S. and in the other members of the G7, has been instrumental in usurping the democratic principles and human rights of individuals in favour of the corporate citizen. In this way, the corporate lobbies and the wealthy individuals that fund with their money the greater portion of the political campaigns in the U.S., get to select the candidates and the issues. A far cry from the idea of government for the people.] [2]

This is how the so-called modern democracies have put into place a system that is designed for the benefit of the MNCs. This is what the global economy really means: Neo-mercantilism: the cosy relationship between the political power and the modern economic trusts of today's MNCs, or, like Chomsky calls it, "market democracy". Thus, the so-called "free world" has now moved from an ethos established by the consensus achieved by each individual civil society, through its democratic institutions, to protect the civil liberties of each individual citizen, to a totalitarian state ruled by the market. In essence, the conceptualization of democracy and of liberty, as was developed by the philosophers of the European Enlightenment, has been, although gradually, completely changed around to meet the demands of the corporate citizen. Here, in the new market democracy, individuals are no longer actors in the destiny of their nation but mere spectators that have to conform to the rules imposed by the corporations through their co-opted governments. Thus, MNCs have become the embodiment of the new civil society. As previously mentioned, since the time of the British industrialists and the "robber barons", the concepts of European Liberalism developed by thinkers such as Locke, Smith, Voltaire and Montesquieu and later Bentham, Stuart Mill and Tocqueville, were manipulated by private capital to serve their interests. The philosophers were motivated by their despise of the absolutist monarchies and their cosy relationship with their merchant partners and their monopolistic companies, who put the monarchy on top of all individuals. Their goal was to put individual freedom above the state. However, the private interests of the centres of power of their time worked to make reality not a land of the free, but one where freedom for the industrial guilds was placed on top of that of individuals.

In the 1980s, after a thirty-year period of incipient but true democratic air, the deregulation of industries, to actively encourage their oligopolisation, became the Neo-capitalist assault on individual liberties. The little progress that was achieved in social justice by defeating authoritarian governments or outright dictatorships in some developing countries was crushed, once again, through a variety of means, to impose the corporate ethos. In the future books of history of the Twentieth First Century, the few events of hope for social justice in Third World countries, such as those in Central America or Southeast Asia that arose in the 1970s and 1980s were so brief that I predict that they will hardly be mentioned. The Reagan Administration, with its goal of refreshing the U.S. imperial might, implemented a policy of counter-revolution against any society that attempted to free itself from the yoke of dictators and their crony capitalism, and was quite keen on the exploitation of the majority of the population. The mission was to apply Neoliberalism at home and provide the same top-down democracy everywhere for MNCs to expand and consolidate abroad. This was to be done with the same monetarist paradigm of neoliberal economics: markets both in developed and developing countries must open to meet the needs of the corporations for expansion. Thus, states were pressured to let the economy be controlled by the free forces of the markets, with the governments' role limited to that of central bankers, and to dismantle the Welfare State and cut any social programs generating deficit spending. MNCs need consumers, locations with infrastructure, cheap labour and raw materials in order to consolidate their world power. Thus, U.S. hegemony during the Reagan era, and henceforth, was based on the dominance of the world economy through the oligopolisation of all meaningful industrial sectors and their subsequent dominance by the U.S. corporate citizens. Economies of scale through market expansion and full flexibility in the methods of production became critical to achieve market dominance. This counter-revolution took the world back to the era of the merchant companies that created the colonial empires of the XVII, XVIII and XIX centuries. This became the new imperial goal of Reagan and Thatcher.

Beggar-Thy-Neighbour Democracy

To achieve this goal, U.S. imperialism employed and continues to employ what I called a beggar-thy-neighbour democracy. If countries succeeded in liberating themselves from crony dictatorships, they were accused of trying to impose a communist regime; and the allies of U.S. imperialism in the local oligarchies crushed any moral leaders contradicting them. The Catholic Church in El Salvador where Archbishop Romero and three U.S. nuns, were assassinated in 1980, and where six Jesuit university professors were assassinated in 1989, is a vivid example of the U.S. beggar-thy-neighbour democracy.[3] In the case that local governments are reluctant to accept Neoliberalism, their cronyism, mismanagement and vast corruption provides the leverage to impose neoliberal economics through the Bretton Woods institutions, as previously discussed. And, if this is not sufficient, economic isolation is imposed to force harsh economic conditions on the population to turn them against their government. Military intervention, covered or uncovered, was used, and it will be certainly used again if necessary. A clear example of isolation was exerted on Peru, after Alan García's administration intended to limit IMF payments to 10% of exports in the late 1980s. This policy triggered a ban on foreign financing until García adopted more orthodox economic and debt repayment measures. Isolationism turned into shortages and deep recession, which destroyed Garcia's popularity and turned the country against him with protests that included two general strikes against his government.

Chomsky, in my opinion the best and most objective critic of his own government in the last two decades, became well known for his opposition to the United States' involvement in the Vietnam War during the late 1960s and 1970s. Since then, his critique of U.S. foreign policy and, in it, of the role played by giant corporations and the mass media has been a constant. In his book "Profit over People," he summarizes the philosophy behind the U.S. imperialistic agenda by explaining that the MNCs are the architects of the Washington Consensus with the economic power to outline the global economy and dominate policy formation as well as structure thought and opinion.[4] The Washington Consensus is, simply put, the agreement of the core of the U.S. economic and political power in conjunction with the other G7 partners to impose a neoliberal economic ethos on the Third World through the Bretton Woods Institutions, and with the acquiescence of the local governments on pain of economic and political destabilization if they refuse.

The G7 partners and other developed nations support this view into a greater or lesser degree. But they generally follow it because they really have no other choice for now. The only way for their corporations to survive and compete successfully is to play the same game of expanding their markets and reducing their costs of labour and resources. There are other reasons that motivate them to participate in the imperial game. First of all, they recovered from the destruction of WWII because they received full support to rebuild their economies through the Marshall Plan. As previously discussed, the G7 nations constituted the U.S. main trading partners and, thus, their recovery was critical for the maintenance of U.S. prosperity and for the functioning of the world capitalist system. Moreover, generally they are much older and matured societies than those in the periphery, with populations with very little growth. As a consequence, they have developed much more egalitarian societies with clearly fairer wealth distribution; thus, they can afford to implement Neoliberalism without leaving most people outside the new economy. Lastly, since at different times in history they have been colonial empires, they would obviously prefer to remain on the side of the exploiter.

Still, not all of the G7 partners are at ease with the Washington Consensus and with Neoliberalism at large. Since 1998, while Britain has taken full ownership of a philosophy that is essentially its own, Germany and France are struggling or frankly opposing U.S. dictated globalization. For Great Britain, Neoliberal globalization is deeply rooted in the mentality of British Capitalism and Liberalism, as defined and practiced by the industrialist class. The only difference is that the empire is now the U.S. with whom there has always been a tacit agreement to work in partnership. Thus, Great Britain, with Thatcher, zealously imposed, in partnership with Reagan, the monetarist crusade for free marketeering. And although the Tories lost power in large part due to the extremism of Thatcher, the labour party with Tony Blair is continuing the crusade. Blair has really shown, judging from his deeds, that he is a true believer of free marketeering. He has tried to disguise his agenda under the label of the so-called "Third Way," an idea of economist Anthony Giddens which we will later explore, but he has continued to implement the neoliberal paradigm further advocating the reduction of the Welfare system, privatization, deregulation, etc.

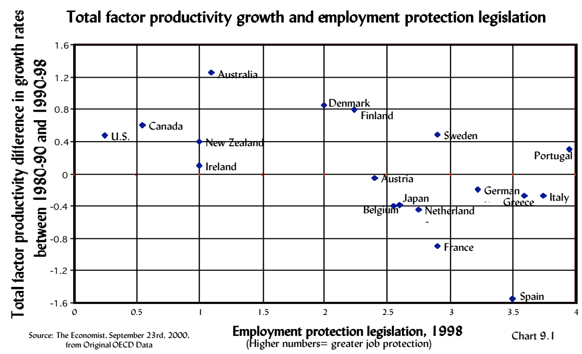
German society, in contrast, has punished Chancellor Gerhard Schroeder for recanting from the traditional postulates of Social Democracy and of his party the SPD. The main reason of many Germans for having supported the SPD, including those who had formerly supported Christian Democrat Helmut Kohl in the past, was the belief that the small reductions the latter had made to the Welfare system would be reversed with the Socialist. Many Christian Democrats were disappointed for the loss of a conscience for social justice in their party. However, when Schroeder tried to implant Blair's Third Way model to limit the Welfare state to a reduced budget, many were furious and punished the SPD in the regional elections, one year after Schroeder's victory. The SPD lost dearly and many Germans, both in the SPD as well as in the right-of-centre Christian Democrats, demanded that Schroeder take on his responsibilities for social justice.[5]

A Power no Longer Behind the Throne

The MNCs are, indeed, the new political power no longer behind the throne. According to the most recent study of the United Nations Conference on Trade and Development (UNCTAD) and data from the WTO, the top 100 corporations controlled 75.5% of the world's trade in 1999.[6] In fact, the foreign sales of the top five MNCs surpassed the combined exports of the entire Iberian American region.[7] Of the top 100 MNCs' total sales of $3.9 trillion in 1996, $2.1 trillion were generated in markets outside their home countries.[8] These 100 MNCs have a great degree of internationalization. UNCTAD's Transnationality Index, which combines, assets, sales and employment showed that 55% of the top MNCs activity in 1996 occurred in foreign markets.[9] Moreover, as could be expected, close to 90% of these MNCs come from countries in the Triad (United States, European Union and Japan). Thus, the bulk of world trade is no longer a multinational event with thousands of companies participating; it is now largely an intra-company event between 100 MNCs from a handful of the G7 nations. The report of a WTO symposium organized in November of 1999 by a group of 15 developing countries –Globalization and its Economic and Social Impacts– noted that MNCs controlling 80 percent of world trade and a large portion of foreign investment flows, have become economic global empires with the recent trends of mergers and acquisitions, and, thus, contributed to business practices in a very disproportionate way. The report notes that this trend is directly harmful for national and international policies designed to strengthen micro, small and medium-sized enterprises which typically generate the majority of employment in the developing world and constitute realistic means to develop their informal sectors.[10]

The fact is that MNCs have developed strategies in both developed and developing nations, which unrelentingly search for new markets, for continuous growth and for labour flexibility, that create greater disparities between their middle classes, the blue-collar workers and the remaining population of the dispossessed. The main purpose of these strategies is, again, to increase efficiencies and, thus, shareholder value. To achieve this, they target the middle classes in developing countries in search of ever more consumers and they also target cheap labour, which they can exploit at will. Concurrently, they take away the same jobs from the much better paid workers of their home countries and other developed nations. This way, they increase efficiencies but marginalize large segments of the population, especially in developing countries. The same symposium in Cairo reports that the consequences of the MNCs world strategies designed to increase competitiveness and ever-higher profits, are that they fit well with the rules of the market economy. However, in terms of development objectives, the final outcome is the marginalization of many people in the developing world, and even of entire nations that do not necessarily fit in the global strategy of the MNCs' business practices.[11]

So, what are these "rules of the market economy"? The rules are the economic environment conditions that provide the ideal ethos for corporations to continuously increase profits. Capitalism would not survive without growth. Growth is intrinsic to its nature. At a macro level, in order for the economy to grow, it needs increases of both supply and demand. This is done by generating more consumers and more production. At the micro level, companies need to increase market share to increase sales. A healthy growth of the general wealth of society would distribute this added wealth through all its ranks. This would increase consumption demand and the supply to satisfy it. But, it would not necessarily increase margins and efficiency. Increased economies of scale may save in some operating and manufacturing costs. Improvements in technological processes would also increase productivity. This would probably improve profit margins. However, the shareholders' unrelenting search for ever higher earning's volumes and higher profit margins, forces companies to have no qualms for the human factor of production. Thus, in their search for greater revenues and margins they seek to reduce the portion endowed to labour because this is generally one of the largest components of the overall operating cost. Hence, the forces of market democracy impose on governments a policy that weakens or blatantly breaks the opposition of unions to the markets' interests. Studies show a clear relationship between productivity growth and employment protection. In developed nations, the weaker employment protection legislation is, the higher the growth in total factor productivity as shown in chart 9.1.



In the last two decades, Neoliberalism has focused on making the primary management objective to increase shareholder value. In essence, companies need to maximize efficiency to boost stock prices and dividends. Of all possible options, the easiest and fastest way to achieve this goal is to cut labour costs. This has resulted in cost cutting measures that reduce the labour endowments through a series of strategies and tricks, such as "downsizing" or reducing the burden of full-time jobs by increasing the proportion of part-time employment. These are basic management strategies that respond to shareholder demands. However, for the MNCs, and especially the 100 MNCs that controlled three-fourths of the world's trade, market expansion with complete flexibility are critical to their goals. Indeed, MNCs need full access to all markets to reach more consumers; flexible methods of production to cut processing costs and increase product variety; and the freedom to treat workers as commodities who are used or dumped, depending on market logistics, competition and costs offered by other labour markets. In a nutshell, the rules of market democracy need to control every element at play in the capitalist system in order to achieve their profit goals and have a profound effect on the quality of life of all the nations participating in the system and their civil societies at large. These rules can be summarized into six elements that, in essence, depict corporate freedom to do and undo at will. These are the elements of the neoliberal assault:

• *Full market liberalization:* Full and free worldwide access to consumers, labour, production resources and basic infrastructure, with their economic components (end user prices, patent and copyright protection, salaries, benefits) set by "the market's" players –the MNCs– throughout the capitalist system.

• *No social bindings*. The absence of any type of social responsibilities or legal obligations with their workers and communities that would legally force them to offer living wages, benefits and adequate working conditions and respect for the environment.

• *Economic deregulation and privatization*. Full freedom to seek the oligopolisation of industries [including state owned enterprises] in order to strengthen their competitive position in the market by buying out competitors or merging with them.

• *Consumer choice subject to MNCs' competitive needs*. The absence of regulations that protect consumers' interests (choice, fair pricing) and block oligopolies or monopolies.

• *Labour rights subject to MNCs' competitive needs***.** The direct control or destruction by the government's judicial and labour authorities, or by hired thugs if necessary, of any union activity that threatens the MNCs' interests.

• *Free movement of capital*. The complete liberty of corporate capital for Foreign Direct Investment (FDI) or purely speculative investment, managed by institutional investors (fund managers), through mechanisms such as the intended Multilateral Agreement on Investment, according to corporate and sheer speculative objectives without any regard to the sudden destabilization of entire economies and their civil societies.

• *Government's role reduced to agent of MNCs*. Governments are reduced to act as agents of MNCs by focusing on monetary and fiscal policy to protect the market economy, while abandoning all social responsibilities by cutting welfare programs and no longer regulating the economy to achieve a balance between social needs and corporate needs. The top priority is to protect the MNCs' needs through market dictated democracy.

These are the rules of top-down democracy imposed by the centres of power to apply a market *xratos* or "corpocracy" for the sole benefit of their corporations and, questionably, the small portion of consumers in the world who have access to the market system that provides them with a "high quality of life".

A Culture of Individualism

This higher quality of life is questionable, for it is only providing the means to acquire material goods by an increasingly smaller segment of the population in rich and poor countries alike. People have become little more than consumer units of things. We have reached the pinnacle of the consumer society, with consumption per se as the maximum value, because this is of utmost importance to the MNCs. MNCs are the primary agents of Capitalism, and they need people conditioned to give top priority to their ability to consume, thinking that this is the way to feel happy. Today's highest value is to feel in a state of physical bliss, and the vehicle to achieve this state is to consume more and more things. Instant gratification is the ideal state. Hedonism is our creed. We want to do our own individual thing.

Before World War II, U.S. consumer culture was based on the old protestant discipline of earning the means to acquire a good. Now, offers for instant credit hit consumers' mailboxes on a daily basis, proposing to acquire things today and pay later for them. The bait is, again, the offer of instant gratification. We have been led to believe that by being able to buy things and consume them we are making use of our individual liberty. Narcissism is socially correct while a sense of community is on a clear state of decay. The concept of being members of a social group, that needs the cooperation of every member to succeed, has been supplanted by the idea that in order to acquire self-esteem and prestige we need to be individuals whose only purpose is to look for ourselves, competing neck to neck against all others in a Darwinian ethos of the survival of the fittest. But, this is really nothing more than a delusion that precludes consumers from acting as members of a Civil Society in solidarity with all its members. Note that I refer to them as consumers instead of as human beings. For they have lost most of the values of humanism in search of a misguided belief of individualism as the equivalent of freedom.

Since the advent of the consumer society as the prime product of the industrial revolution, never before has selfish individual satisfaction been taken to such an extreme. There is no balance between individual satisfaction and humanistic values that give priority to a sense of community, even though all the major religions of the world are anchored on a strong sense of community that is supposed to support all of its members. The world of today has been transformed to uphold hedonistic individual satisfaction as the maximum value, to meet the interest of those who control capitalistic societies. Today's rugged Capitalism has given way to the culture of rugged individualism. And, although in this culture many genuine social movements organized around the concept of non-governmental organizations evolve, the official posture, inside so-called democratic governments, of working for the communities (international, national, regional and local) is, in most cases, mere rhetoric. For governments are working predominantly to guard the interest of the supranational conglomerates that criss-cross the world with their profitable operations. For this reason, the individualistic culture centred on material consumption has a perfect fit with the demands of the centres of economic power. For this very reason as well, non-governmental organizations have proliferated all over the world to take over the responsibilities that governments have abandoned. For non-governmental organizations are centred on the protection of human rights and the defence of social concerns and the environment under a deep sense of community, from a small local one to the world community at large.

Allen Gerlach, a former history professor, explains that the combination of the Cultural Revolution of the 1960s and the progressive decay of the standard of living of U.S. society since 1973 has exacerbated its traditional extreme individualism.[12] As described in essay I, part I, the gap between rich and poor is widening in all capitalistic societies but more so in the U.S. than in any other developed country. This has led to the formation of a Third World class within the geography of the U.S. and many developed economies. Gerlach asserts that a Third World class of homeless and beggars is now well in the process of creating divisions and resentments. I might add that the U.S. and many developed countries that were empires in the past are now paying the costs of their imperialistic enterprises by the flooding of their cities with immigrants from those countries where they produce their exploits.

Nevertheless, that individualistic hunger for consumption is one of the key drivers of immigrants into the Mecca of Capitalism. Popular culture, now completely dominated by business, incessantly promotes "being you by acquiring things." If you have things, you exist; if you don't, you are out of sight and practically dead. Marketing is bombarding the mind, all day long, with a promotion of individualism that destroys every sense of community. This fits well with the ideal environment for corporations to thrive. It blocks any thought about "us: as a community". For companies, the promotion of Egoistic Hedonism –the ethical theory that asserts that achieving one's own happiness is the proper goal of all conduct– provides benefits beyond obsessive consumption; for it serves efficiently as a strategy to block solidarity and union and organization for mutual protection. In fact, it can be argued that the promotion of individualism is precisely designed to accomplish obsessive consumption and alienation. In this way, corporations are in much less danger of being pressured by the community to behave responsibly by not harming its members or the physical entourage where they operate. Solidarity rescinds, the threat of union organizing weakens and the obligation of governments to work for all decays. This is why governments respond to the demands of the corporations. Individualism makes people more conservative and less mindful of those who live in the same group. For instance, Gerlach asserts that individualism promotes the need to ponder the relationship between paying less in taxes and having a more luxurious car, or between paying less in taxes and the quality and quantity of the teachers who educate our children or of the police forces that protect us. This is a real paradox since U.S. citizens believe that they pay the highest taxes in the world but they are at the bottom of the First World. In 1990 U.S. taxes, as a fraction of GDP, were at 30 per cent, only at par with Japan, while they were clearly higher in Canada, 34 per cent; Britain, 35 per cent, Germany, 37 per cent; Italy, 40 per cent; Austria, 41 per cent; France, 43 per cent; and Sweden, 58 per cent.[13] As previously mentioned, the Anglo-Saxon countries, with the most neoliberalised economies, had the lowest tax rates while those with the strongest welfare cultures had the highest taxes in relation to GDP. This is, in the U.S., a direct result of a citizenry focused on individualism and exclusion and much less on a sense of community and inclusion.

Global Oligopolisation to Increase Shareholder Value

It should be self-evident that the stronger the sense of community, the stronger the Civil Society. Likewise, the stronger the Civil Society, the more socially responsible their governments behave and, thus, the less they respond to the demands of MNCs. It is not surprising then that the main advocates of the MNCs are the U.S. and, to a lesser extent, the U.K. and not so much the rest of Europe, Canada and Japan. This has a logical explanation. Before the rise of the U.S. Empire, the U.K. had the last colonial empire. This provided the accumulation of wealth that eventually gave rise to a good group of modern British multinationals such as Shell/Royal-Dutch, British Petroleum, Unilever, Glaxo Wellcome, Hanson, CGNU, HSBC, Reed-Elsevier and Halifax. In the U.S., the trusts of the Gilded Age were the antecessors of the MNCs. The fact that U.S. MNCs became the largest and most numerous, at the end of the Twentieth Century, was a natural consequence of the sheer size of their domestic market. The market provided the economies of scale necessary for the formation of large corporations with no need to look abroad for foreign markets. This has been the main reason for the natural inward disposition of the U.S., many times with a clear isolationist mood. The size of the U.S. territory makes the rest of the world look distant and, in many ways, unnecessary. For other developed countries, instead, such as in the case of the Benelux countries, foreign markets have always been vital.

Economic size notwithstanding, corporations, as natural agents of Capitalism, need to expand. There is here an ironic parallel between the nature of Capitalism, which needs to continuously expand or die, and that of sharks who need to continuously swim or drown. And so, U.S. corporations, in spite of their nation's traditionally inward looking culture, needed to go abroad to conquer markets. This occurred throughout the Twentieth Century. However, after the crisis of the 1970s, the entrance of Neoliberalism consolidated their expansion abroad. Initially, it was sales and distribution and, afterwards, the establishment of manufacturing facilities in specific countries to serve their domestic markets. Nowadays, MNCs have operations throughout the world with a global strategy guiding their global system of manufacturing designed with the goal of operating the most efficient system of production and sales; and with their corporate culture centred, again, on the continuous demand for growth in shareholder value.

Since U.S. MNCs were, mostly, also the largest overall, –due to the size achieved in their domestic market– they spearheaded the globalization of the world economy in the 1980s, and they were at the centre of the process. This, of course, has been an extremely competitive race for global expansion, consolidation and dominance. In their search for greater shareholder value, the MNCs have sought to consolidate their dominance by acquiring or merging with other competitors and by developing a global system of oligopolies, in both developed and developing countries, that provides the greatest efficiencies and market share. With this new process unrelentingly expanding, civil societies of individual citizens are being destroyed and replaced by the new global society of corporate citizens where the sole value is money, expressed again, in shareholder value. Thus, they expand globally and destroy civil societies to impose their ethos to achieve their goals. David Korten calls it the "Midas Curse:" "enriching the money world by impoverishing the living world".[14]

No Pledge of Allegiance

In spite of the official rhetoric, especially in the U.S., support for market liberalization is, typically, one-sided. When there have been clear threats to the interests of U.S. MNCs, U.S governments have reacted, at times, with selective protectionist policies. After 1980, European and Japanese MNCs played almost as big a role as U.S. MNCs did. This posed a threat to the U.S. who has always encouraged the expansion of its MNCs to enhance its imperial power. In fact, globalization constitutes a new age of U.S. conquest where a small group of huge private corporations and financial conglomerates –with more than half of both based in the U.S.– dominate the global economy and continue to prey the world for higher earnings and profits.[15] This fact notwithstanding, the sheer power that MNCs acquire as they expand internationally transcends the power of the national governments that serve them. That is, MNCs are not loyal to their home countries unless their governments serve them well and meet their demands domestically and internationally. It should be remembered, once again, that the MNCs' sole objective is to increase their global market share with maximum efficiency to increase shareholder value.

In consequence, the developed world's perception between the positive and negative effects of the MNCs has been somewhat balanced. Home-based MNCs are viewed as an instrument of political and economic influence overseas for the home country. But it is exactly the opposite when these nations are hosts to foreign MNCs or when MNCs take over their own. Thus, regardless of the free-trade verbiage, most developed nations have some type of FDI monitoring mechanism, which is used when national interests are deemed in danger. Of course, national interest in this context is the interest of the corporate citizen and not precisely of the Civil Society at large. This protectionism occurs regardless of the agreements initially of GATT and now of the WTO. A good example is the protectionism that the U.S. has exerted to protect its semi-conductor industry, which it regards as a matter of national security and also as a critical element in overall competitiveness in an information-driven age.[16]

This is no different with other members of the G7. Japan has traditionally been protectionist and has been forced by U.S. pressure to open its domestic market and even to invest in the U.S. to create U.S. jobs, but it remains very hostile to foreign takeovers of their MNCs. The European Union has effectively created a block that gives clear preference to European investments, mergers and acquisitions. NAFTA has also created a market area between the U.S., Canada and Mexico that privileges production content from within the area.

Trends are moving from national markets to regional markets. However, nations are, by nature, protectionist and, with the ascent of the MNCs to the vanguard of today's Capitalism, where they control 75% of the world's trade, the home country's protectionism remains an instrument used by MNCs to strengthen their position in a fiercely competitive global market. In this way, the European Commission accused the Spanish government of blocking the merger between phone companies Telefónica and KPN from the Netherlands[17] and fined Volkswagen for anticompetitive practices in Italy.[18] The U.S. has denounced the Mexican government for protectionist measures in favour of Telmex, the privatized phone company, and against its foreign competitors.[19] In a 'strategic way", MNCs manipulate their governments to increase their market position abroad and protect their position domestically. They contribute to political campaigns and demand the ethos necessary to advance their interests. However, increasingly, they do not pledge allegiance to their home country.

Therefore, in spite of the globalization race and the rhetoric for free markets, there is a strong protectionist sentiment among trading nations to protect their multinationals. In the case of Telefónica of Spain, for instance, the Spanish government blocked the merger alleging that the government from Holland would not sell the stocks it owns in Dutch concern KPN, the other party in the merger. However, protectionist measures, if at all, have only exacerbated the push for oligopolisation of industries by MNCs from different members of the First World. In this way, companies who were able to merge successfully or buy other competitors such as DaimlerChrysler, MCI World or

Ford/Mazda/Volvo Cars/Jaguar are now immune to threats or barriers from any of the countries that used to be the home countries of these huge conglomerates. They virtually can do as they please. Corporations are driving the economies of the major centres of economic power and defining the ethos in which civil societies have to live: an environment with top-down democracy dictated by the MNCs through their governments, with total freedom to do and undo, in exchange for absolutely no responsibilities to the nations and the civil societies with whom they interact. This is what "corpocracy" or market democracy is all about.

Economist Frederic Clairmont also sees a clear parallelism between today's MNCs and the "robber baron" companies of the Gilded Age. The only difference is that today the number of corporations that control the economy are much less than the 300 of a hundred years ago and that the hegemonic power is the U.S. instead of the U.K. In fact, the huge accumulation of capital in mergers and acquisitions of global corporations –in the last decade representing $20 trillion– is equivalent to two and a half times the gross domestic product (GDP) of the US.[20] Clairmont warns us about the tremendous speculative ethos in which this trend is anchored regardless of the fact that neoliberal economics presents the accumulation of capital as saving and investment. For we should bear in mind that the colossal sums that drive up the stock markets come from debt. A case in point: between 1997 and 1999, total world debt (of households, businesses and governments) increased more than 12% to $37.1 trillion. That is an annual exponential growth equivalent to three times that of world GDP.[21] That is why MNCs absolutely need consumers to mindlessly consume based on their future salaries and not be frugal.

The New Map of the Neoliberal Global System

The current process of capitalist globalization is increasingly being defined as an economic paradigm centred on cutting-edge technologies of information, communication and production, which in fact constitute a techno-economic paradigm. A paradigm composed by innovative technological, organizational and managerial elements, whose main advantage is centred on the dynamics of the relative cost structures of all inputs to production, which are typically characterized by falling costs and universal availability.[22]

This is of key importance in further explaining the power of global corporations, for it is clear that in this concept the driving forces behind this paradigm are the MNCs. These are the only entities with the necessary resources for developing and using technologies characterized by falling costs and universal availability. This is why the views, among well-known scholars on globalization, clearly imply that the new economic paradigm is being defined and dominated by the MNCs. This Techno-economic Paradigm is anchored on the idea of achieving maximum efficiencies, not only through scientific breakthroughs, but also especially through the development and implementation of organizational and managerial processes of production that generate the highest efficiencies. To this effect, in the transition from the Fordist method of production to a new method, the Japanese techniques, that originated the flexible method of production, have been adopted [by global corporations] and revised to incorporate information-driven technologies and are standardized for global competition.[23] It is also clearly evident among academics on both sides of the aisle that the new economic paradigm is still emerging. Hoogvelt, in her "Globalization and Postcolonial World," published in 1997, predicts more crises and instability in the *interregnums* between the old and new paradigms, for the regime of accumulation cannot materialize until the new paradigm is fully in place.[24]

The new paradigm is not yet well established, and the regime of accumulation cannot materialize because there is a growing opposition to neoliberal globalization, in both the developed and developing countries, due to the overt inequality of the system. It should be remembered that after the Mexican debacle of 1994, in 1997 crises in Brazil and Asia began, followed in 1998 by Russia. Two years later, in November 1999, the Seattle Summit of the WTO was completely disrupted by NGOs and other groups, representing important segments of the civil societies of the U.S. and other G7 nations, as the unfairness of neoliberal globalization became clearly evident.

Hoogvelt points out that the new properties of the emerging paradigm are all global in character: flexible production and global markets, flexible production and global enterprise organization, and flexible production and global capital-labour relations. Under this scenario, capital no longer needs to pay for the reproduction of labour power, which was previously paid for a period of time. Now, under flexible conditions, labour is paid for its output at the point of delivery and treated as a commodity.[25] Note that the term "flexible" appears in all three properties since this is critical in providing non-binding arrangements for the MNCs in their interaction with markets, resources and labour. Therefore, all three properties, in my opinion, implicitly but clearly, refer to a system designed for the benefit of the global corporations. Thus, it has nothing to do with a democratic society. It is genuine top-down democracy. Furthermore, what can also be discerned is that the neoliberal paradigm is extremely exclusive, in spite of the systematic allegations that once markets are opened, and thus, the economy growing more rapidly, income would trickle down from the top to all ranks of society [in this top-down democracy].

Indeed, the information and production technologies of this system are even more dependent on large economies of scale than in the Fordist system. This is of utmost strategic importance because the system has shifted from labour intensive to capital-intensive processes. Thus, the high cost of these technologies can only be paid with large economies of scale, and MNCs are the only enterprises with access to large financial resources, multi-plant production and worldwide marketing networks.[26] This brings us back to a situation where the triad countries, earlier discussed in this essay, are essential in providing the economies of scale that constitute what is today's "global market." Hoogvelt refers to a market of 600 million with similar standards of living who constitute the MNCs' global market.[27] This can be attested by simple observation. The gap between rich and poor is widening everywhere and even more so in the most liberalized economies, as described in essay I, part I. Therefore, today's global market, in the best-case scenario, does not represent more than 15% of the total world's population or not more than 900 million consumers. This would additionally include the upper echelons of consumers in the nations that represent the periphery of the system, which supplies the labour force for the MNCs under conditions of full flexibility and minimum cost.

As a consequence, contrary to the neoliberal rhetoric, the neo-capitalist assault is trying to impose an economic system of exclusion, in both the core and periphery; only the middle classes and upper echelons have access to the goods and services offered by the MNCs. The rest of the world is completely irrelevant to the system. And, since the domestic markets of the MNCs are no longer necessary for capital expansion, they can also enjoy the luxury of laying off millions of workers in the developed world in order to maximize shareholder value by exploiting the workers of the periphery. As we have witnessed over the past decade, MNCs have laid off over 400,000 workers every year in the developed economies.[28] No wonder Seattle exposed the wrath of these workers.

As with relative supporters of globalization, such as well-known Harvard professor Jeffrey Sachs, their arguments are also making all the more evident that the globalization that Neoliberalism is trying to impose is only beneficial to a very small segment of the global village. That is because, in studying a few of Sachs' papers, he is gradually acknowledging the growing exclusion of the majority of the world's population from the so-called global capitalist system. In the working paper "Economic Convergence and Economic Policies" that he and Andrew Warner published in 1995, they proposed that it was evident that, in order for poorer countries to achieve higher than average economic growth and, thus, achieve convergence, they build efficient economies, open to trade and protective of private property rights.[29] The same year they published a paper with the Brookings Institution, "Economic Reform and the Process of Global Integration'', which became extremely popular among proponents of Neoliberalism. The IMF, World Bank, OECD and other multilateral institutions often cite the paper to support their advice to developing countries for opening their economies. However, the article was spurred by an attack of another Harvard economist, Dani Rodrik, and by Francisco Rodríguez of the University of Maryland, when they challenged the link between free trade and faster growth. And although *The Economist* staunchly defended Sachs and Warner and simplistically proposed that people in the many countries that have successfully opened their markets in the past twenty years be asked whether or not life is better than before,[30] a year later Sachs demanded bold new thinking on development in an article he published in the same magazine. It seems that, in the debate about the virtues and vices of the current globalization process, some pundits supporting Neoliberalism are modifying their views. Sachs now appears increasingly concerned by the overt exclusion of the great majority of the world's population and explores ways in which more regions can be included. As in the case of Hoogvelt, he also sees technology as the exclusion factor. Sachs explains that a region containing 15% of the world's population provides nearly all of the world's new technologies; a second part, accounting for half of the population, is able to adopt and consume these technologies; but the remaining one third is completely disconnected. Sachs also coincides with the view that these regions transcend national borders. As a result, many nations can have pockets of technologically included and excluded regions. Thus, Sachs concludes in this latest article that globalization must be rethought.[31] I should point out that, in Sachs division of the part capable of adopting and consuming today's technology, the fact that it involves about 50% of the world's population does not mean that 100% of this population has access to these technologies. This is especially the case of the largest urban areas of Iberian America, such as Sao Paulo and Mexico City. In these megalopolises, some of the greatest disparities of income in the world occur. Thus, while perhaps 20% to 25% of the population is somehow included in the global economy, 75% is completely excluded and lives in dire poverty. Another clear case is the urban slums of cities such as Los Angeles, New York, London and Paris, the metropolises where the waves of immigrants from the areas of influence of the economic and political centres of power have migrated. These people, literally economic refugees, have migrated to make a meagre living in the lowest paying ranks, and they are often exploited. They are also part of the excluded ones, along with the other poor: those born in these cities, but unskilled to meet the needs of the new economy because they were born poor and, for whatever reason, never had a fair chance to advance.

What is occurring is that neoliberal globalization is focusing on developing a system where MNCs assign specific roles to the centres of economic power and their select group of countries on the periphery, based on principles of maximum efficiency, anchored on a production system of maximum flexibility. Here, Neoliberalism acquires its real meaning as synonymous of flexibility; that is, in order to achieve maximum flexibility, in terms of free trade, free investment and free movement of capital, an ethos immersed in neoliberal thinking is required. This is what Hoogvelt calls the deepening of global capitalism in the core and periphery and not the expansion into the now irrelevant regions of Africa, Asia and Iberian America.[32] Thus, the G7 countries and the rest of the developed world, along with the so-called "emerging markets" of Asia and Iberian America, complete the system of maximum flexibility and, thus, efficiency. That is, a system providing maximum flexibility for maximum shareholder value.

The Global Society

The maximum flexibility attained by MNCs in their world operations provides the capital, labour, and organizational infrastructure required to create a worldwide network of production and marketing, designed to secure a powerful global market position. These networks transcend national boundaries and establish a system of exclusion of the majority of the world's population in favour of a new global class. This is a new global society of managers, professionals and consumers that constitute the new global market.

This "global marketplace" explicitly leaves destitute the rest of the world. Entire nations and even regions and social segments inside every developed and developing nation, cannot participate in the economic growth and acquire the material quality of life generated by this system, since they have been systematically replaced by technology. As I mentioned earlier, even the greater portion of their labour resources are excluded; for they are regarded as mere interchangeable commodities, managed "on-demand" with maximum flexibility and minimum legal bindings. The temporary status of their work or the farming out of production with subcontractors is increasingly becoming the standard. Unionization and labour legislation have been dramatically reduced by dismantling much of their structure.

At the same time, while MNCs fight, through governments, any type of union or community organizations that seek to protect their members, they seek their own closed organizations to monopolize everything that has global market value. Entire communities, along with their cultural heritage, are disintegrated, and a new ethos of inclusion and exclusion is imposed, based on the strategic value that resources, disposable income, infrastructure and managerial and technological skills offer to the MNCs. Even consumer choice is conditioned by the consumption habits developed in the First World. The consumer behaviour and lifestyles, primarily developed by the U.S. MNCs' marketing structure, is imposed everywhere to attain global economies of scale. Despite the claim that greater variety provides greater competitive edge, the oligopolisation of industries has further concentrated competition in a few choices that provide the scales to compete in price and service, globally, regardless of cultural differences.

In an ethos where the sole principle is to procure maximum shareholder value by imposing one capitalist system globally, the local economies are destroyed. This is especially true in the host countries where the MNCs receive all the support from the host governments. In many Highly Indebted Countries (HICs), the prescription from the Bretton Woods Institutions is to open their economies and convert their largest and most competitive companies into strong exporters. This has been the strategy followed by nations such as Mexico, Brazil and other Iberian American nations. The result has been a complete abandonment of the small and medium size businesses, in both industry and commerce, in favour of the larger ones, that are capable of competitively exporting. The large corporations of these countries, some of who have achieved true multinational presence, receive all the support of their governments and of the capitalist system at large. In contrast with the domestic sector, they have access to lines of credit from foreign banks at international rates because they are generating revenue internationally and, thus, they are insulated from the dangers of large devaluations in their home countries. In some cases, they generate more than half of their income outside their home country. This is, for instance, the case of Cemex, from Mexico, the world's third largest cement manufacturer. Cemex can successfully compete with foreign competition abroad and at home.

In contrast, the small and medium industries have been completely abandoned. Many developing countries, with crises evolving from corruption, mismanagement and indebtedness, rapidly shifted gears from models of import substitution to the opening of the markets. As a consequence, in many countries, all the protection that their domestic economies received, since the beginning of the post-war, was removed, and they were left exposed to the direct competition of powerful MNCs and their overwhelming resources. The result has been a dramatic collapse of the small and mid-size industry and the local commercial sector, when they found themselves literally "naked" of resources to confront foreign competition. The fiscal incentives for job creation, technological development and investment have been cancelled or reduced. Low-cost loans from government agencies have disappeared, and the crises of their banking systems have left them equally without access to private capital at competitive costs. The monetarist economics imposed, focused on achieving a fiscal balance regardless of the social and economic consequences. Therefore, the funds previously available to support and provide incentives for investment in small and medium businesses catering to the domestic market dried up. This has happened in every sector. As a result, the garment and shoe industries, for instance, are now increasingly controlled by the Calvin Kleins, Tommy Hilfilgers and Nikes of the world. Medium-sized industries that produced less technologically-advanced consumer items, such as electronic appliances, have been almost completely wiped out by the MNCs. Even in the most traditional sectors, such as the food sector, the global fast food chains are gaining large chunks of the market at the expense of jobs, labour costs and local culinary cultures. In Mexico, just in textiles and machinery, half of the factories have closed down.[33] This is despite the fact that small and medium-sized businesses and factories have always contributed with 70-80% of the jobs in most countries. The result has been the massive surge of the unemployed who have not found another option but to join part of the informal economy as self-employed people who sell anything on the street to make a living. These people, of course, appear in the national statistics of countries like Mexico as "employed" for public relations reasons. But they belong to the enormous mass of dispossessed, without any type of labour benefits or welfare, fighting an unequal fight in the jungle of the survival of the fittest of today's Darwinian Capitalism. Long time close followers of the process of globalization, *Der Spiegel* journalists Hans-Peter Martin and Harald Schumann predict in their book, "The Trap of Globalization," that 80% of humanity will depend on the other 20% to survive; for there will be no jobs for them.[34] In some cases, the shift to Neoliberalism has been so extreme that even sectors that are still protected in the economies of the leading nations have been left in many developing countries to fend for themselves. Such is the case of the agricultural sector in Mexico, which has been completely abandoned in contrast with that of the U.S., its major trading partner, or those of the other G7 nations.

Even so, in countries where agriculture is still protected, there is tremendous opposition to neoliberal globalization. In France the destruction, in the summer of 2000, of a McDonald's restaurant by ten members of a farmers union led by, the now famous José Bové, symbolized the rejection of the neoliberal attempt to concentrate all industrial sectors in a handful of global conglomerates and the despise of the *malbouffe*, or trash food. The actions of these Frenchmen converged in a huge demonstration with representatives from small and medium size farmers, leaders of independent unions, from all five continents, and representatives of the now landless peasants from South America, Africa and Asia. They rejected, in what is now called "The French Seattle", the neoliberal push for de-regularization of all sectors of the economy through the World Trade Organization (WTO); which, just in Europe, has triggered the annual closing of tens of thousands of family farming units.[35] The arguments exposed: "Governments are powerless before the dictatorship of money", "the WTO is a mere neoliberal instrument" and "civil societies' control is the only guarantee of the sovereignty of food production against the hyperactive multinational systems", summarize the views of small and medium size producers of the most essential sector of the local economies of the capitalist world.[36]

This is just one instance that illustrates why journalist such as those mentioned earlier from *Der Spiegel*, forecast that eighty percent of the population is doomed to scrape a living outside of the realm of the world economy, which is only designed for the twenty percent or less of the new global society. Deregulation, total flexibility, information-based technological precedence and maximum efficiencies, through the reengineering of production processes, are consolidating the trend towards an economy that each day gets leaner in manpower. Such is the future of the capitalist world: a reduced global society and an overwhelming class of dispossessed.

Inequality and Poverty

Because of the imposition of the neoliberal paradigm, we are living, throughout the capitalist world, with the greatest inequalities and levels of poverty since the days of the Great Depression. I should point out that inequality in this context is only relevant relative to the degree of development of each economy. The World Bank explains that there is no necessary link between crises and rising inequality. In past Iberian American crises, inequality often rose, whilst in Indonesia, inequality appears to have actually fallen with a collapse in incomes at the top half of the distribution. In other words, wealth collapsed in the upper echelons, decreasing the gap between rich and poor. However, overall, the World Bank admits that inequality is very high in many countries and concludes that it is getting worse worldwide.[37]

Between 1960 and 1985, the ratio of income per capita in the richest countries over that in the poorest countries increased from 38 times to 52 times. Moreover, the world's unequal distribution of income appears to have continued to widen over the next decade, mainly due to rising inter-country differences. There is evidence of an increase in the Gini indices [measuring inequality] of the world distribution between the mid-1980s and the mid-1990s. As a result, the ratio between the average income of the world's top 5 percent and world's bottom 5 percent increased from 78 to 1 in 1988, to 123 to 1 in 1993.[38] In the 1980s and early 1990s, inequality decreased in the "Asian Tigers", especially in South Korea, Malaysia and Indonesia. However, after the Mexican, Asian and Brazilian crises of the mid 1990s, inequalities got worse overall for the rest of the decade.

Nevertheless, growing inequality is not exactly a measure of poverty but, rather, of uneven distribution of income in both high-income as well as low-income countries. Poverty levels, instead, are the most accurate descriptors of social injustice. Except for the Middle Eastern countries, East Asia and the Pacific, where poverty decreased in proportion to total population, in the rest of the developing world, between 1987 and 1998, the proportion of poor living with an income of under $2 dollars a day increased, or at least did not change, especially in Eastern Europe and Central Asia where it increased from 3.7% to 20%. Overall, the total proportion of people living with less than $2 a day decreased from 61% to 56%, as shown in *table 9.1*.

However, everywhere except for East Asia and the Pacific, the total number of people living with an income of under $2 dollars a day increased or did not change. This trend produced a net increase in people living in dire misery in the developing world; for the total number of people living with less than $2 a day increased by 252 million between 1987 and 1998 or by 372 million if we exclude China.[39] The fact is that development in most of the developing world has been reversed or at least stalled.

The crude reality of these regions, which contain 83% of the world's population, notwithstanding, poverty has dramatically increased in the developed world. In the U.S., the cradle of Neoliberalism, there is clear evidence of trends similar to those of the developing world; which provides hard evidence that the MNC's driven globalization and the formation of a new Global society transcends national boundaries and all regions. Fresh new evidence reinforces the conclusions of many reliable sources reporting an increase in inequality and working conditions in the U.S., such as those reported by the Economic Policy Institute, which I discussed in essay I, part I.

Table 9.1 Population living on less than $2 per day and headcount developing and transitional economies, selected years, 1987-1998

Region	*Population covered by at least one survey (percent)*	*Number of people living on less than $2 a day (millions)*				
		1987	*1990*	*1993*	*1996*	*1998 (est.)*
East Asia and the Pacific	90.8	1,052.3	1,084.4	1,035.8	863.9	892.2
(excluding China)	71.1	299.9	284.9	271.6	236.3	260.1
Eastern Europe and Central Asia	81.7	16.3	43.8	79.4	92.7	92.9
Latin America and the Caribbean	88.0	147.6	167.2	162.2	179.8	182.9
Middle East and North Africa	52.5	65.1	58.7	61.7	60.6	62.4
South Asia	97.9	911.0	976.0	1,017.8	1,069.5	1,095 .9
Sub-Saharan Africa	72.9	356.6	388.2	427.8	457.7	474.8
Total	88.1	2,549.0	2,718.4	2,784.8	2,724.1	2,801 .0
(excluding China)	84.2	1,796.6	1,918.8	2,020.5	2,096.5	2,168 .9
Percent under $2/day		61.0	61.7	60.1	56.1	56.0

Source: "Poverty Trends and Voices of the Poor." Poverty Reduction and Economic Management/Human Development/Development Economics
The World Bank, page 6, December 2, 1999.

Another clear evidence is the study, based on a Survey of Consumer Finances (SCF) and conducted by the Federal Reserve Board, of Economics Professor Edward Wolff, from New York University, which reported that the wealthiest 1% of the U.S. population, increased its share of wealth between 1983 and 1998 from 33.8% to 38.1%.[40] What is mind boggling is that this 1% has almost as much wealth as the bottom 95% of the population, which holds only 40.6% of the wealth of the wealthiest economy in the world. This is possible due to a very extreme re-concentration of wealth in the top 1%, which increased its net-worth by 42.2% during the same period. This increase is twice or more the rate achieved by the next 59% of the U.S. population, whilst the bottom 40% reduced its net worth by 76.3%. This is an amazing fact if we consider that only in 1995 and in 1929, the year of the Great Depression, the top 1% held more of the wealth, at 38.5% and 44.2%, respectively, than in 1998.[41]

Wolff's economics expertise is in the areas of productivity growth and the distribution of income and wealth. And, as such, Wolff's is currently involved in a research project called "The Long-Term Effects of Technological Change and Information Technology on Earnings, Inequality, and Labour Demand." The project explores some of the long-term implications of technological change and information technology on the structure of labour demand and earnings. Wolf's work has thrown much light on the issue of growing income inequality. In this project, his preliminary results show that both technological change, as measured by Total Factor Productivity (TFP) growth, and computerization have strong positive effects on the demand for high-skilled workers and their earnings and negative effects on the demand for low-skilled workers and their wages.[42] This is clear empirical proof of the cause behind the widening gap in the population across the capitalistic world between a global class of high-skilled workers, representing less than one-fifth of the population, and the impoverishment of low-skilled or technologically backward workers, representing the great majority.

It should be clear by now that MNCs do not behave predatorily only outside their home country. I have previously emphasized their natural disposition to support governments only when they serve them well. They have historically used their home governments to advance their interests overseas. However, they have no pledge of allegiance. Thus, they have behaved as predatorily in their home country as in their host countries. In the last fifteen years, U.S. MNCs have indulged themselves with the practice of gaining market share by destroying all but their very largest competitors. For, in the last fifteen years, specific strategies to oligopolise the markets have been implemented in the U.S. domestic market. The largest companies have crushed small business of every kind by specifically targeting them using pricing strategies that force them to close. In the retail sector, the vast majority of the market is now controlled by a handful of department stores (Federated); hardware stores (Homebase and Home Depot); household appliances (Circuit City, Best Buy; toys (Toys R US), office supplies (Office Depot, Staples and Office Max); and general merchandize, from durable to non-durable goods (Wal-Mart and COSTCO). Wal-Mart is famous for its predatory practices, strategically designed to destroy the small retailers of small to medium size urban areas, and for using the most employee unfriendly practices to achieve maximum shareholder value. This was all done under the guidance of now deceased Sam Walton, who was the second richest man in the world after Bill Gates. Very low wages and heavy use of temporary jobs to avoid paying benefits and slack hours are key strategies for maximum efficiencies. It is said that Wal-Mart relishes its practice of undermining local competition with heavy advertising and rock-bottom pricing. Once the locals go out of business, advertising stops and prices go up when local consumers no longer have a choice.[43] Of course, Wal-Mart and the few others that are the exclusive members of the oligopolistic club in each industry, claim that expanding their network of retail outlets creates new jobs. However, the end result is that more jobs are lost than created, and those that exist are jobs with far less security, benefits and a human touch. In the specific case of Wal-Mart, research has shown that 1.5 jobs are lost in its sector for every job created.[44] As with most MNCs, the sole objective of continuously increasing shareholder value has made of layoffs a measure of first resource, both in good times as well as in bad times. Thus, in the IT era, most findings show that more jobs are lost than created over the long run. In the last three years of economic boom in the U.S., unemployment rates have reached the lowest levels in twenty years. However, although there is certainly a unique phenomenon of many high paying jobs created in the IT sector or in IT related areas of non-IT corporations, the vast majority of jobs created have been in the service sector where wages are traditionally the lowest. Thus, again, over the long run, findings show a net loss of jobs and real income.

The Wonders of the New Economy

According to the Economic Policy Institute study "The State of Working America 1998-1999", the inflation-adjusted earnings of the median U.S. worker in 1997 were 3.1% lower than in 1989. Over the same period, real hourly wages stagnated or fell for the bottom 60% of workers, except for low-wage workers, whose wages rose 1.4% during that time.[45] Many may argue, against these events, that the most recent trends in the booming U.S. economy of 1999 were probably reversing the direction followed during the last twenty years. Supporters of Neoliberalism would probably say that the last twenty years have only been a period of expected structural adjustment, while the so called "New Economy" of the information age begins to provide the benefits to the majority of the population, especially in the U.S., where it all started. But the truth of the matter is quite different. The most recent data show that wealth consistently keeps moving more and more in favour of the very top of the social scale in the U.S. The just-issued press release of the new upcoming edition of "The State of Working America 2000-2001" [to be released in January 2001] shows that in the period 1995-1999, incomes rose for the typical family, but only by working substantially more hours. Concurrently, disparities in wage and income gains among the different economic classes continued to rise throughout the 1990s. Even worse, as earlier discussed, household debt continued to rise and reached alarming levels as a way to keep up with the consumer spree to maintain living standards [and feel in a state of bliss] in line with the current moral philosophy of *consume first and pay later* dictated by the MNCs' controlled social mantra.[46] The findings of this report leave no doubt:[47]

• Income inequality continued to grow in the late 1990s, though at a slower rate than earlier in the decade. This is because, between 1995 and 1998, real income growth of low-income families trailed those from the middle-income bracket and these trailed those at the top of the income ladder. Thus, the structure of income inequality remained relatively unchanged during the late 1990s.

• A substantial part of the growth in middle-class families' income was a result of many more hours worked. Between 1989 and 1998, middle-class families worked 246 hours more, to 3,885 total, or about six extra full-time weeks a year since 1989. African American middle-income families worked even more hours, averaging 4,278 hours per year – almost 500 hours more than white families.

• The net worth of the typical U.S. family between 1989 and 1998 barely increased by $2,200. This is because their household debt increased $11,800. Furthermore, while they only captured 2% of the stock market, they accounted for 38.8% of the unprecedented rise in household debt.

• The investment in the information technology associated with the so-called "new economy", led to higher productivity, but not to job growth, nor to any meaningful wage gains for workers in other sectors.

• The wage growth of typical workers was below productivity, mainly due to corporations increasing the share of income paid to owners of capital, at the expense of workers' total compensation.

Overall, in spite of the clear increases in employment and in the growth of real wages, compensation barely improved despite the many additional hours that each household had to work; and thus did nothing to prevent a further widening of the gap among the social classes. Thus, in dramatic contrast with the quality of life thirty years ago, middle-income families worked over one-third of a year (19 weeks) more in 1998 than in 1969, whilst the growth in weeks worked among higher income households was only half as much during the same period. These findings remain extremely consistent with those reported in the 1999 report covered in essay I, part I. Indeed, families are working more hours than ever and are saddled with the highest levels of debt in history.[48]

The most transcendental and ominous finding of this research is the conscious decision of corporations to increase income inequality to benefit shareholders. Although technological change was not found to be a driving factor in the growth of wage inequality in either the 1980s or 1990s, the report points out the corporate will to reduce the labour endowments in order to increase shareholder value, as explained above. Corporations are determined to use labour as the central factor in increasing shareholder value. This is clearly, in my opinion, the most transcendental element of the Neo-capitalist assault on civil societies at large.

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