

GLOBALISATION AND STAGNATION*

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It is relatively clear that globalisation, the international spread of capitalist exchange and production relationships, is a very destructive and painful process. The implementation of the North American Free Trade Agreement (NAFTA) will provide some very stark examples over the next several years. In Mexico, peasants **are** likely to suffer final extinction as a class, as they **are** driven off the land by competition from large scale U.S. grain producers. In the United States, many workers with relatively low levels of skills and task-specific skills – such as broom makers in Alabama, glass makers in West Virginia, and workers connected to auto production throughout the country – will lose their jobs or see their wages dramatically reduced.

Moreover, there is good reason to believe that NAFTA, like other steps in globalisation, will generate greater income inequality both between and within countries. During the last few decades, as we have witnessed a surge in the spread of capitalism, we have also seen a widening of the income gap between the underdeveloped and developed economies. Within the United States, as the country's economic integration with the rest of the world accelerated after 1970, so too was there a marked rise in income inequality that became particularly evident in the 1980s. One widely quoted figure captures the sad spirit of the era: between 1977 and 1989, the richest 1% of families in the United States obtained 60% of the after-tax income gain. Within Mexico, recent years have also seen rising inequality, especially since the middle of the 1980s when the government began to move strongly with its programme of neo-liberal 'reforms'. Indeed, a worsening distribution of income was the general rule in Latin American countries during the **1980s**, a decade in which the debt crisis brought the full burden of globalisation to bear upon the region.¹

Greater income inequality is not the only social failure generated by the success of globalisation generally and by NAFTA particularly. **Environ-**

*An earlier version of this paper was presented at a Seminar on 'The Worlds Today: Circumstances and Alternatives,' Centro de Investigaciones Interdisciplinaria en Humanidades, Universidad Nacional Autonoma de Mexico, Mexico City, December 7, 1993.

mental destruction is surely exacerbated with the success of globalisation. The greater mobility of capital makes it more and more difficult for citizens of any one political unit to organise and use their government to impose regulations on polluting firms.

Perhaps the most damaging social contradiction of globalisation is its impact on democracy. NAFTA provides the illustration of the general process because this agreement enshrines 'the market' as the principle by which economic activity shall be organised in North America. It does so by direct statement of principles; it does so by prohibiting governments from developing new public sector productive activities; and it does so by effectively limiting the power of governments to regulate private business (directly excluding some forms of regulation and restricting others by giving business greater mobility to escape onerous rules). NAFTA, then, is quite explicitly an agreement that pushes out the boundaries of unfettered capitalist production, and in so doing it limits democracy by limiting people's power to exercise political control over their economic lives.

These social contradictions of globalisation – these social failures associated with the successful spread of capitalism – should come as no surprise. Even at its best, capitalist development is a process of 'creative destruction', to use Joseph Schumpeter's famous phrase. As accumulation takes place, competition forces firms to be creative in order to survive, and those firms that **are** not creative are destroyed. In a world of markets and competition, winners are matched by losers, and creation and destruction become one and the same. Losers, however, are not simply impersonal firms or abstract inefficient technologies. In the real world, losers are people, sometimes capitalists, but always workers, individually and as communities. 'Creative destruction' means the unemployment of real workers, the destitution of real communities, devastation of the environment, and disempowerment of the **populace**.³

Of course people do not sit idly by while all this takes place, and globalisation's social contradictions continually give rise to popular protest movements. Those of us who have opposed **NAFTA** can take some satisfaction from the fact that, as the historian and activist Jeremy Brecher pointed out in *The Nation* (December 6, 1993), '... elements of the struggle against NAFTA prefigure a movement that could radically reshape the New World Economy. . . . For the first time in many years [in the United States], substantial numbers of people mobilised to act on broad class interests.' Such movements are always desirable. Even if all they do is effect marginal improvements of the current order, marginal improvements **are** better than no improvements.

Growth or Stagnation?

However, there is the more substantial question of whether or not these popular movements are likely to bring about larger changes, structural alternatives, something really different. The likelihood of larger changes depends to a great extent on whether or not globalisation will generate a renewal of economic growth. Globalisation has always produced social contradictions and protest movements, but economic growth has generally contained these movements and limited the emergence of alternatives. As we approach the end of the century, however, the world economy is mired in stagnation – relatively slow economic growth – and any appraisal of alternatives must involve a prognosis of that stagnation and of its relation to globalisation.

At first blush, it would seem folly to argue that globalisation is likely to be associated with continuing stagnation. After all, in the history of capitalism, globalisation and growth appear to have been tightly connected, mutually reinforcing processes at the foundation of the system. Observing this apparent historical relationship, proponents of a more open international economy have promised great gains – all the benefits of more economic growth – as we accept the neo-liberal order of globalisation embodied in **NAFTA** and other agreements. But there are problems. Let me cite four:

First: The current neo-liberal globalisation is not the same as the general historical spread of capitalism. It is one thing to say that globalisation and growth have gone hand-in-hand in the history of capitalism, but quite another to claim that neo-liberal policies of unregulated international commerce and reduction of state services have been a foundation of capitalist expansion. Virtually every country that has achieved some successful economic development – from the United States and Great Britain in an earlier era, to Japan and South Korea in more recent decades – has done so with active state intervention in economic affairs, particularly with extensive state regulation of foreign commerce. (As is hardly necessary to point out, the converse is not true. There are many cases where state intervention in foreign commerce has not led to any growth success. The historical record seems to indicate that such state intervention is a necessary but certainly not sufficient element in achieving economic growth.)

One of the ways that state intervention has played a major role is through the promotion of industries with substantial technological externalities (positive impacts on technological development elsewhere in the economy). During the industrial revolution of the late 18th century, British industry flourished behind tariff barriers averaging 50% in manufacturing sectors. After World War II, while Japanese tariffs were not high, the government maintained tight direct controls over both imports and direct foreign investment, encouraging the development of **Japanese-**

owned firms in such key industries as automobiles and computers. In addition, developmental states have used a variety of fiscal and monetary mechanisms, specific subsidies, and at times state-sponsored firms to pursue national development. In some cases, states have pushed their country's firms toward an external orientation and achieved success through export led growth; South Korea provides the most important recent example. In no case, however, has successful export-led growth been directed through the sort of deregulation that might be called 'free trade', the sort of deregulation that is called for in the neo-liberal project.'

Of course the United States today has passed through its period of initial development, and, however large a role state control of external commerce played in that initial development, a regime of 'free trade' might yield substantial growth gains in the current era. There is no doubt that many large U.S. firms will garner major benefits from the imposition of NAFTA and other parallel agreements. They will gain access to markets and resources, and they will be less constrained by local regulation.

Yet gain for large U.S. corporations is not the same thing as growth of the U.S. economy. Over recent decades the foreign operations of U.S.-based firms have maintained their share of world exports while their U.S. operations have dwindled in relative importance. For example, between 1966 and 1984, the U.S. share of world manufactured exports declined from 17.5% to 14.0%. Yet U.S.-based multinationals' share in world exports actually rose slightly in the period, from 17.7% to 18.1%; the 'parent' firms' declining share was more than balanced by a rising share of their foreign affiliates.' Certainly, British experience at the end of the last century indicates that there is no necessary equation between the international success of national capital and the growth success of the national economy. On the contrary, that historical example suggests that, as important segments of capital become more international in their orientation, they are less willing to support the types of state policies that would yield national growth. Industrial policies and programmes to develop the national labour force, for example, are of little interest to firms committed to and dependent on overseas operations; indeed, in so far as those policies and programmes carry a cost – as they always do – such firms are likely to oppose them.⁵

Second: When globalisation has been associated with rapid growth, that growth has had historically specific causes and cannot be attributed to globalisation per se. This argument has been most fully developed by Harry Magdoff and Paul Sweezy, and it rests on a distinction between the current era (really the last century) of monopoly capitalism and an earlier era of smaller scale, more competitive capitalism.⁶ The very large firms that emerged at the end of the 19th century in the United States and other advanced capitalist countries have a tremendous capacity to expand production. Moreover, as they have centralised wealth to a very great

degree, they have greatly increased their capacity for savings. Growth will then take place if this massive capacity to save can find sufficient outlets through equally massive investment opportunities. The problem is that there is nothing within the system – within the normal spread of capitalism and the everyday technological innovation, opening of new markets and exploitation of new resources – that assures sufficient investment opportunities will in fact be available. When rapid growth does come, it is the result of particular causes – epoch making innovations such as steam power and the railways or a set of events that provides an extremely favourable business environment.

The quarter century following World War II was one of these 'extremely favourable' periods. Following the war, rapid economic growth in the U.S. and elsewhere was generated by: postwar reconstruction; technological spin-offs from war production; pent-up demand for consumer durables; the stability within international capitalism provided by the relatively great power (hegemony) of the United States; and the large demand provided by a growing economic role of the government, most notably in its military spending. These particular factors – and one might name others – were by their nature either ephemeral (postwar reconstruction) or self-limiting (the growing economic role of the government). They could generate a period of rapid growth, but they could not provide a foundation for indefinite rapid growth. By the 1970s, these factors had run their course, and we entered the current era of stagnation. (The mid-1980s saw a limited renewal of growth in the United States, based largely on a new military build-up and massive government fiscal deficits, but it did not, and could not, last.)

The question then arises whether or not further globalisation – NAFTA, extension of GATT, greater access for U.S. firms to Asian markets – could again provide the circumstances necessary for a new round of rapid growth. The answer seems clearly negative, unless it can be shown how this new globalisation creates conditions of the sort that have led to rapid growth in the past. There is no reason to think that the expansion of the system's realm of operation in and of itself will do the trick.

Third: When globalisation generates inequality, it tends to undermine growth. The problem of secular stagnation due to limited investment opportunities might be reduced were globalisation to yield a sufficient expansion of consumption demand or to provide the foundation for a renewal of government spending. Yet the growing inequality that is likely to be associated with the sort of neo-liberal globalisation embodied in NAFTA will tend to move things in the opposite direction. By providing U.S. firms with access to production sites in Mexico and through direct provisions in the agreement, NAFTA is part of a broad strategy by U.S. firms that gives emphasis to deregulation and cost cutting. This strategy, however, also tends to force down wages and curtail social spending, so any

gains from lower costs tend to be off-set by losses from weakened demand. Moreover, the neo-liberal ideology that helps drive NAFTA also tends to limit the extent to which governments can stimulate demand by classical Keynesian policy. (Supporters of NAFTA in the United States argue that, by opening Mexican markets, the agreement will strengthen demand for U.S. goods. While there will likely be some short run gains, as a longer run prognosis, this analysis repeats the classic error of mercantilist ideology – that exports can grow without a counterbalancing growth of imports or foreign investment.)

Furthermore, both within the realm of government demand and in the private sector, there is a sense in which stagnation and inequality are circularly reinforcing processes. Slow growth and inequality have contributed to the huge build up of debt, in the United States and in the Third World.' The debt burden then becomes a restraint on private and public spending, and slow growth and inequality are thus perpetuated.

The restraints which inequality places on growth are not only on the demand side. Low wages may reduce the rate of technological progress as well. It is widely recognised that during the 19th century, technological advances in the United States were especially rapid due, at least in part, to the shortage of labour and relatively high wages (as compared to Europe). High wages led U.S. firms to innovate more rapidly. Today, as U.S. firms gain greater access to low wage labour in Mexico and elsewhere, the pressures tend to run in the opposite direction. Moreover, low wage levels tend to contribute directly to slower rates of labour productivity growth. The globalisation strategy of U.S. business appears to be based on the perception of wages only as a cost of production. But, quite clearly, in production wages are an incentive as well. Strategies which suppress wage costs also suppress that incentive.⁸

In the context of NAFTA, it is worth noting that greater inequality in the United States is not likely to be balanced by rising wages and greater equality in Mexico. Wages in the United States will be suppressed not so much by the actual movement of production to Mexico (from which Mexican workers might gain) but by the threat of such movement. Furthermore, while the Mexican government continues its inegalitarian policies – suppressing and controlling unions, tax policies that favour the wealthy, programmes supporting a reconcentration of land holding – any movement toward equality will be greatly hampered. Finally, NAFTA will lead to the inundation of Mexico by imports of goods which are produced more cheaply in the United States. Grains are the most dramatic example. Also, U.S. service industries are likely to force many small scale Mexican operations out of business. The result will be a huge displacement of Mexican peasants and workers, swelling the ranks of the Mexican reserve army of labour and keeping wages at a minimum. In the real world of unemployment, less regulation of trade is more likely to lead to a waste of resources than to a more efficient allocation of resources.

Fourth: When globalisation has been most effective as a foundation for economic growth, a firm institutional basis for international stability has existed. As I have pointed out already, successful globalisation has not meant a simple expansion of the realm of unregulated markets. When it has been most effective in generating rapid growth, globalisation has taken place under the aegis of a powerful state – a super imperial power – that has been able to regulate international affairs and provide a stability that encouraged business expansion. This argument has been usefully articulated in the context of the social structure of accumulation theory, which asserts that, in any epoch of successful capitalist development, expansion has been based on and organised by a set of social institutions. This set of institutions, which regulates the otherwise self-destructive operations of markets, includes at least institutions of labour relations, state operations, and international affairs. Here it is only necessary to point out that the regulating institutions of international affairs are absent in the current surge of **globalisation**.⁹

The problem is apparent when this era is compared with earlier eras when globalisation has been relatively successful (in terms of growth) – for example, the middle of the 19th century when British hegemony provided stability and the post-World War II quarter century when U.S. hegemony played a similar role. In each of these eras there existed an industrial leader, a relatively unchallenged political-military authority, and a set of financial relations that established a matrix for the operation of markets. Globalisation could proceed apace, enhance the imperial power's realm, and strengthen the entire system (though, in the contradictory nature of things, overextension ultimately contributed to the end of hegemony).

In the current era, in spite of the fact that the U.S. stands alone as a super power, it is not able to provide imperial stability. It is no longer a clear industrial leader. International financial arrangements are in flux and unstable. The great military power of the U.S. seems ineffective – at best – in maintaining the sort of stability that would be needed for a new era of expansion. In this context, the implications of globalisation are very different. Neo-liberal globalisation – the spread of a system without sufficient means of regulation – contributes to the instability of the system and therefore undermines, rather than enhances, growth.

Alternatives to Globalisation

I think that these various points at least give us some reason to anticipate that the era of slow economic growth is not likely to be brought to a quick termination by the current surge of globalisation. In the 'creative destruction' of capitalist development, we appear to be at a point where the 'destructive' aspects are relatively large compared to the 'creative'. This means that in North America – and elsewhere as well – the popular

movements that **are** energised by the social contradictions of globalisation are likely to have some impact, and it becomes especially meaningful to speak of alternatives.

But what kind of alternatives? Is there any reason to believe that the current forces being generated by globalisation and stagnation might connect to the widely shared goal of establishing a more egalitarian and democratic society? What is different about the current situation that might provide a basis for optimism? What lessons might we draw from the analysis of globalisation and stagnation that could help move things along?

While answers to these sorts of questions require a certain amount of speculation, there are certain observations that seem reasonable. To begin with, it seems useful to **recognise** that globalisation has made some dramatic changes in the economic relationships among working people in different parts of the world, particularly in the relationship between workers in the United States and workers in Mexico and other relatively poor countries. With the reduction in barriers to trade and with the spread of capitalist production relationships, workers in the different parts of the world economy are producing the same things in the same ways for the same markets. Ironically, by thus being in competition with one another, they have a common interest which creates a material basis for solidarity.

This material basis for solidarity becomes clear if we compare the currently emerging situation with the stereotypical situation of an earlier era in which Third World workers were producing raw materials for export to the advanced countries, and workers in the advanced countries were transforming these raw materials into manufactured goods. In those circumstances, lower wages in the Third World could directly benefit workers in the advanced countries. Lower wages for copper miners, sugar cane cutters, or banana plantation workers in the Third World could mean lower prices in the United States. Workers in the advanced countries would then tend to lose as wages rose in the Third World.

Now consider the implications of lower wages at the Ford plant in Hermosillo. One implication may be cheaper cars in the United States, but the much more profound, immediate and obvious impact is lower wages for auto workers in the United States. As globalisation has succeeded in making different economies more and more alike, in transferring technology across national boundaries, and in placing workers in competition with one another, it has succeeded in creating a basis for international labour solidarity. Workers in Michigan and Morelos now have a relation like workers in Illinois and Indiana.

Of course a common material relationship does not translate directly into concerted political action. Competition among workers in different nations can contribute to reactionary nationalism, xenophobia and conflict. Also, along with globalisation, there appear to be greater divisions among different strata of workers within nations, and major cities have a

striking duality – as New York and Los Angeles, for example, bridge the entire gap from the pinnacles of wealth and power to the depths of Third World poverty all within a few city blocks. Yet a common material interest across international boundaries does create a strong potential, perhaps even a necessary condition, for common action. By creating this common material interest, globalisation offers some hope for overcoming national divisions and increases the likelihood of effective international working class politics.

Globalisation, furthermore, is changing the structure of the work force – in the United States, in Mexico, and everywhere else – in ways that create new possibilities for political action, both locally and across international boundaries. One of the most profound changes is the feminisation of the paid labour force. The spread of capitalist production relations has meant the elimination of home production, the traditional realm of women. As women have entered the paid labour force, they have often been the ones most subjected to international competition. The high rate of employment of women in the maquiladoras and in assembly production in the United States illustrates the special position of women in the emerging globalised economy.

The special position of women has some significance in any discussion of alternatives because, certainly in the United States and it seems in many other countries as well, political struggles associated with women are among the most dynamic parts of popular protest movements. Moreover, struggles in which women play a major role have a good chance of being more broadly oriented struggles. Because of their experiences as women, women workers are particularly likely to build connections between workplace and community.

The issue of 'community' has an important role in the development of alternatives to the current dynamic of globalisation. One of the reasons for the widespread, negative visceral opposition to globalisation – whether in the form of opposition to NAFTA or as opposition to corporate takeovers in the United States by foreign-based multinationals – is that people see this phenomenon as undermining whatever control they retain over their own economic lives and, along with this, threatening the security of their communities. Sometimes this opposition appears as irrational and, as such, is derided by the proponents of globalisation. Why oppose NAFTA when U.S. firms have been investing in low wage countries for years? Why oppose the corporate takeover by a multinational based in London or Frankfurt of a multinational base in Manhattan when all make decisions on the same basis? Popular protest movements, however, are quite rational in directing their actions at these highly visible symbols of the **marketisation** of our lives.

Struggles for the maintenance of community against marketisation – against the subjugation of other social values to consideration of private

profit – provide clues on how to shape alternatives in the current period. **People's** desire to maintain community is closely connected to their desire for meaningful democracy, real control over the affairs that affect their everyday lives. It is impossible to destroy local and national communities, the realms in which people most strongly identify with one another, and at the same time build a democratic **society**.¹⁰

In addition, the value that people place on community – tangible, intelligible relations to other people with whom they feel a historical bond – tells us something about the way to shape economic programmes. For example, it suggests that economic programmes based on export expansion cannot meet people's needs. Export-led growth can be a basis for rapidly rising national income – though where it has been most successful, we should note, it has not been associated with the neo-liberal 'free trade' dogma. But if we define economic programmes in terms of our ability to penetrate foreign markets, then at every step of the way we will be confronted by conflicts between the maintenance of community and economic success.

In the same way that export-led growth comes into recurring **conflict** with the maintenance of community, it is always a threat to establishing a more equal distribution of income. If we say that the primary criterion on which to base an economic programme is our success in international markets, then we must take the steps that are necessary to succeed in international markets. Often, those steps will mean limits on wage increases or movement of firms to lower wage regions, restrictions on **social** programmes, tax incentives for corporations, and other policies which favour the wealthy over the poor."

Most important, perhaps, an economic programme that is defined by an external orientation rules out the kinds of controls that are necessary if any nation is going to pursue policies of full employment. Full employment is important because it is probably the single most powerful programme leading to a more equitable distribution of income. Also, people cannot live fulfilling lives without meaningful work, and full employment improves the likelihood that meaningful work will be available. Yet full employment fiscal and monetary policies, in the United States or in any other country, cannot be implemented without constraints on external commercial relations, including controls on trade and capital movements. Foreign commerce of all sorts has a role in any reasonable economic programme, but the problem is to subordinate economic exigencies to social goals and social values; that cannot be done in an export-led programme.

Alternative economic programmes that call for greater income equality, full employment, and an inward economic orientation have a connection to our current condition of stagnation. Equality, full employment and the strengthening of community are not simply nice things to wish for, but they

are also policies that address the conundrum of stagnation. **As** I have suggested above, one of the roots of stagnation is the great inequality that exists – in the world and within many countries, including the United States and Mexico. Demands for equality are therefore demands for a reform that is consistent with both the needs of those at the bottom of the economic hierarchy and the system's needs for stability and survival. Full employment and greater income equality would do far more to extend the market than would any programme of opening new markets for exports. (I should point out that it is quite possible that such a connection would not exist, that doing what is socially desirable would not be consistent with overcoming stagnation. If stagnation resulted from an excessive wage squeeze on profits, then greater income equality would hardly be an economic solution, however socially desirable.)

Similarly, if stagnation is perpetuated by the instability of international affairs, then less not more reliance on international economic connections seems appropriate. Without a strong imperial power to enforce stability, placing greater and greater emphasis on international economic ties would exacerbate a downward spiral of stagnation and instability. In some quarters, a similar definition of the problem leads to policies for recreating a strong imperial power, but I doubt that it is possible to do so and it is certainly not desirable. The proper responses to stagnation, then, are reforms that lead in the direction of strengthening community and building an inward oriented economic alternative.

Strategic Difficulties

As I have indicated, these statements about alternatives are necessarily in the realm of speculation. As such, they are not only vague but also potentially self-contradictory. On the one hand, for example, I have given emphasis to the possibility of international solidarity among workers as a basis for building stronger social movements toward alternatives. On the other hand, I have said that one response to globalisation should be a focus on community as the basis for our economic alternatives. It is not clear how these two arguments fit together.

Perhaps, however, the apparent contradiction between a movement based on international working class solidarity and a focus on community can be transformed into a positive element in the construction of an alternative to the present course of globalisation. After all, progressive social movements are frequently confronted with the task of building broad solidarity while at the same time recognising the differences and divisions among the various constituencies of that movement. More and more, the Left has moved toward the position that greater strength for the broad movement depends upon a positive acceptance of the differences. For example, no effective working class struggle can fail to give prominent

positions to the particular interests of peoples of colour or of women. Certainly, insofar as the **Left** has explicitly recognised and embraced these 'particular interests', the progressive movement as a whole has been stronger. Similarly, in recognising the particular interests of communities, it is likely that an international working class movement would be strengthened. At the same time, local community struggles would be more powerful tied to a larger movement. None of this eliminates the potential contradiction between the international and community components of progressive opposition to globalisation. Yet it is useful to see this problem as one form of a recurring difficulty in which building a powerful oppositional movement means continually dealing with tensions among its particular components; and it will never do to ignore or suppress those tensions.

Similarly, other problems in the alternative agenda I have suggested can be successfully dealt with only after they are explicitly recognised. One especially important example is also connected to the focus on community, for a focus on community can be an apology for reaction, xenophobia, and the imposition of traditional forms of exploitation and oppression. Control of foreign commerce easily becomes a rationalisation for a conservative nationalism, and in the United States this means racism as well. The way in which a progressive position and a reactionary position have this sort of relation and potentially dangerous connection is suggested by the rather unusual left-right coalition in the United States that emerged in opposition to **NAFTA**.

The dangers evident in such a coalition should lead the **Left** to rethink some of its traditional responses to globalisation. In particular, traditional forms of protectionism and the arguments in support of protectionism can quickly become the basis for a reactionary politics. The protectionist position singles out and gives special emphasis to one type of threat to workers, the threat from foreign competition. In the rhetoric of protectionism, 'our' jobs are being moved abroad where foreigners – 'they' not 'us' – will reap the benefits. In fact, workers' jobs are continually threatened in many ways: by the vicissitudes of the business cycle, technological change, intra-national movement of capital, and just plain poor management, as well as by foreign competition. Most broadly, workers' jobs are continually threatened by the efforts of employers to raise profits. A progressive response to the job loss of globalisation would place it in this larger context and demand a general protection for jobs, not simply a protection from foreign imports. As a practical matter, workers need to be protected from job loss associated with globalisation, but a struggle for particular practical policies needs to be connected to a broader ideological struggle. Otherwise, focusing singularly on job loss to foreign competition, the Left will simply become the tail on the dog of nationalist – which is to say reactionary – rhetoric.

One more problem faced by the forces opposed to the current course of globalisation lies in the fact that programmes to overcome stagnation and restore growth to the world economy only exacerbate environmental destruction. Economic growth has long been a pillar of Left programmes, and our critique of capitalism has given a central position to the system's failure to expand sufficiently rapidly to provide jobs in the wealthy countries and to overcome poverty in the Third World. The environmental crisis forces a re-examination of this analysis, but, in fact, the analysis has always been a weak one.

It is one thing to say that capitalism is in crisis because of stagnation and that within capitalism more rapid growth is the only means to stem the emergence of opposition. These are points I have stressed in the preceding pages. It is quite another thing to say either that more rapid economic growth would solve the fundamental social problems of capitalism or that beyond capitalism growth would be a key to social progress. Capitalism needs growth because it cannot tolerate any far reaching redistribution of income. Yet it is the great maldistribution of income that gives rise to our most severe social problems – everything from street crime and **homelessness** to racial conflict and meaningless work. A Left agenda that gives prominence to the redistribution of income would make far more sense than an emphasis on economic growth.

Redistribution of income in itself does not eliminate environmental problems, but it makes an important positive contribution to the solution of these problems. Greater equality reduces both the necessity of and the pressures for economic growth, and thus gives greater leeway for the economic organisation that avoids destruction of the environment. Within the current social framework, economic well-being almost necessitates environmental destruction; and, ironically, environmental destruction may be greater during an era of stagnation than during more rapid expansion as private individuals and firms become more and more desperate for economic survival. (Consider for example, the environmental destruction of tropical rain forests in the Third World under the pressure of the debt crisis or the destruction of temperate rain forests in the U.S. Pacific Northwest under the pressure of high unemployment rates.) By giving prominence to equality over economic growth, anti-globalisation forces might find one of their strongest arguments.

I cannot pretend that these brief comments do away with the ambiguities in my agenda for alternatives to globalisation. And the list of problems in my agenda could surely be extended. All I can say in defence of my ambiguities is that the current course of **affairs** has many more problems. At least the alternatives I have discussed have the merit of being grounded in the economic realities of globalisation and stagnation as they confront us today. These realities are wreaking havoc on the peoples of North

America, and on the peoples of the rest of the world as well. We had better find some alternatives.

Nobody said it would be easy!

NOTES

1. On the income gap between rich and poor countries see Harry Magdoff's 'Globalization: To What End?' in Ralph Miliband and Leo Panitch, editors, *The Socialist Register, 1992: New World Order?* Monthly Review Press, New York, 1992. The figures on U.S. income distribution changes in the 1980s come from the Congressional Budget Office as reported in the New York *Times* of March 5, 1992. Data for Mexico are available from the Instituto Nacional de Estadística, Geografía e Informática; Encuesta Nacional de Ingresos y Gastos de los Hogares. Also, see George Psacharopoulos et al, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, The World Bank, Human Resource Division, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27, revised April, 1993. For a useful analysis of the connection between globalisation and inequality in the U.S., see Edward E. Leamer, 'Wage Effects of a U.S.-Mexican Free Trade Agreement', Working Paper No. 3991, National Bureau of Economic Research, Cambridge, February, 1992.
2. Schumpeter develops the concept in Chapter VII of *Capitalism, Socialism and Democracy*, Harper & Row, New York, 1950. While using Schumpeter's phrase, I should note that not much of the rest of the argument here is consistent with the ideas that Schumpeter develops in that chapter. He uses the concept of creative destruction largely in explaining the success of capitalist development, whereas I am trying to use it in explaining the contradictions (potential failure) of capitalist development.
3. This line of argument is developed in Arthur MacEwan, 'Technological Options and Free Trade Agreements', Working Paper 93-05, Department of Economics, University of Massachusetts - Boston, October, 1993, where more complete references are provided.
4. See R.E. Lipsey and I.B. Kravis, 'The Competitiveness and Comparative Advantage of U.S. Multinationals, 1957-1984', *Banca Nazionale del Lavoro Quarterly Review*, No. 161, 1987, p. 151.
5. See E.J. Hobsbawm, *Industry and Empire*, Penguin Books, London, 1969.
6. The argument, which is also associated with Paul Baran, is developed in various places; see, for example, Harry Magdoff and Paul Sweezy, *Stagnation and the Financial Explosion*, Monthly Review Press, New York, 1987.
7. See Arthur MacEwan, *Debt and Disorder: International Economic Instability and U.S. Imperial Decline*, Monthly Review Press, New York, 1990. Also, see Robert Pollin, *Deeper in Debt: Changing Financial Conditions of U.S. Households*, Economic Policy Institute, Washington, D.C., 1990.
8. Empirical evidence on the correlation between inequality and slow national growth is not well developed. Yet the evidence that does exist does not give much support to the idea that a low wage, inequality strategy is likely to yield rapid economic expansion. Some limited empirical evidence and the technology and incentive arguments are discussed in MacEwan, 'Technological Options and Free Trade Agreements', as cited above.
9. The social structure of accumulation argument is developed in David M. Gordon, Richard Edwards, and Michael Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States*, Cambridge University Press, New York, 1982.
10. The connection of community to the controversies over international commerce is usefully developed by Herman E. Daly and John B. Cobb, Jr., *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future*, Beacon Press, Boston, 1989.
11. At least some on the Left, however, ignore these sorts of arguments and assert that a progressive economic programme - at least in Mexico and elsewhere in Latin America - should be built on the basis of export-led growth. See, in particular, Jorge Casteneda, *Utopia Unarmed: The Latin American Left After the Cold War*, Alfred Knopf, New York, 1993.