

IMPERIALISM, DOLLARIZATION AND THE EURO

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1. THE MYTHS OF GLOBALIZATION

In recent years, theories of imperialism have fallen into disgrace and have been replaced by more fashionable analyses in terms of globalization. This is regrettable. For while this term stresses real phenomena like the great upsurge in international capital mobility and the further extension of markets resulting from it, the analysis of these quantitative phenomena is often laden with ideological connotations. Very often these have to do with the triumph of capitalism over 'socialism' (e.g. Mitterand's programme commune) or 'communism' (the USSR, China, etc.) whereby capitalism's inner rationality allegedly displaces the irrationality and inefficiency of alternative systems, and brings in its wake not only democracy but also advanced technologies allowing men and women to become the arbiters of their own destiny. The implication of the confusion of analysis with ideology in the concept of globalization is that it is made to seem that not only competing systems but even class struggle must disappear. This makes it especially important to separate real phenomena from their ideological rendition. The Left's anti-capitalist struggles are invalidated if use is made of categories of analysis, like globalization, that are ideologically laden in favour of capital.

The failure to separate real phenomena from the ideological rendition may lead to ignoring the extent to which the limits of both social democracy and the communist regimes in the twentieth century were inextricably linked to their incorporation of fundamental elements of capitalist social relations. No less important, it may lead to implicitly accepting some basic tenets of orthodox economics. These tenets are all based on assuming that the basic unit, and thus the starting point, of analysis is the individual equipped with an inborn, a-historical, egoistic rationality; and that the free exercise of this rationality results in the

economy either being in, or tending towards, equilibrium. But since it can be conclusively shown that these tenets do not fit empirical evidence, are marred both by logical inconsistencies and by circular reasoning, and are untestable in terms of neoclassical economics' own methodology,¹ it follows that there is no reason to assume that human nature is inherently egoistic and that any social system based on, say, altruism (socialism) is doomed to failure. No (theorization of a) social system radically alternative to capitalism can be based on the egoistic behaviour inherent in neoclassical economics.

The great(er) volume of capital moving across national frontiers in recent decades, which has nothing to do with the fall of the barriers posed by 'communism', has represented a situation whereby capital, unable to find a profitable outlet in the productive sphere, tries its luck in financial/speculative operations. Seen from this angle, the magnitude of (financial) capital movements, far from being the result of capitalism's greater freedom to express its rationality, is a sign of the limits capital imposes upon its own growth, upon itself. This is a sign that the present economic crisis is far from having been overcome. As for the further claim that ideologists of globalization advance, i.e., that thanks to globalization, democracy has extended to the former 'evil empire' as well as to other 'emerging' market economies, this is too blatantly false to deserve any serious consideration. Far from enjoying a 'peace dividend', those countries have sunk into unprecedented economic crises while substituting their traditional corrupted bureaucracies with an equally corrupted capitalist class. Moreover, it is a specific type of democracy, that which is functional for the development of capitalism, that is referred to, not the democracy upon which a socialist system should be based.²

Finally, empirical evidence gives the lie to the view that technological innovations allow people to shape their own destinies through the generalized cornucopia, higher employment, increasing skills and work satisfaction they allegedly bring. The empirical evidence brought to bear by Marxist value analysis shows that the introduction of technological innovations tendentially causes unemployment, decreasing real wages, de-qualification and de-skilling, new forms of labour's subordination to capital, and ultimately economic crises, while at the same time causing counter-tendencies.³ It is true that privileged strata of the working class (mainly in some countries of the dominant block) can enjoy (temporarily) greater welfare as a result of technological innovations. But, on the whole, income disparities, poverty, unemployment and human degradation have never been so great as in this age of 'globalization'.

Far from illusions about 'the end of labour', the world proletariat not only obstinately refuses to disappear, it is in fact increasing in size. Indeed, by taking a global view, we may see that the world working class emerges more vividly than ever. This is obvious if the proletariat (collective worker) is defined in terms of production relations, as those who are directly or indirectly dependent for their livelihood on capital.⁴ Even neoclassical economists should be able to understand that the greater capitalism's expansion, the larger the collective labourer. But they

not only close their eyes to the spreading of capitalist production relations, they also manage to ignore the massive income differentials on a world scale (i.e. they consider them to be deviations from a model rather than features inherent in that model). Not surprisingly, they fail to see income differentials as a necessary result of class (production) relations. But, in face of the fact that a few hundreds super-billionaires own a wealth comparable to the income of 45% of the world population, how can they hold that the world working class is fading away? And even if one focuses on countries rather than on classes, copious statistical data on the 'rich countries' show that 'social exclusion' is spreading. It takes a fertile imagination (perhaps a necessary antidote to a barren theory) to hold onto the thesis that globalization tendentially brings with it a classless society.

The world proletariat cannot free itself of capital as long as it accepts its perspective. If the notion of globalization is as rich in ideological substance as it is poor in heuristic content, the analysis of the phenomena sketched above requires a different frame of analysis. This essay shall argue that the phenomena the theorists of globalization deal with should be seen from an opposite frame of analysis, one focusing on the world imperialist system and the new developments and contradictions within it. Elements of such an alternative view are submitted, even if in a necessarily sketchy form, in section 2. By way of example, section 3 focuses upon one aspect of this new imperialist dimension, that of international seigniorage and of the struggle between the dollar and the Euro as an aspect of inter-imperialist rivalries. Finally, section 4 draws some conclusions on the class structure emerging from these developments.

2. THE REALITIES OF IMPERIALISM

From an economic standpoint, imperialism is *systematic* appropriation of international value, i.e. capitalist *enterprises* in the imperialist countries appropriate value systematically from *enterprises* (but also from 'independent' producers) in the dominated countries. While this requires both economic conditions (e.g. a specific structuring of the dominated countries' economies, as we shall see below) and non-economic ones (political, military, legal, institutional, etc.) for the continuation of that appropriation, what follows will focus principally on the former, the fundamental, aspect. The appropriation of value at the core of economic imperialism today happens in at least four ways: (a) repatriation of interests and profits on direct and indirect foreign investments; (b) payment of interests on foreign debts; (c) unequal exchange inherent in international trade; and (d) seigniorage, the advantage that accrues to the use of the hegemonic power's currency as the international currency. This essay will focus on seigniorage (in the next section) rather than on the other forms of value appropriation. This is not due to the latter's necessarily greater importance in inter-imperialist relations. On the contrary, investments and foreign debt, as well as unequal exchange, play a much more visible role in shaping the internal structure of the dominated countries. Especially foreign debt is a new phenomenon (relative to the old form of imperialism) whose importance goes further than

being a source of interest payments. The debtor countries are actually at the mercy of the most powerful creditors who can impose upon the former the type of economic 'development' most consonant with their own interests (the infamous structural adjustment programs). Rather, the focus on seigniorage in this essay is meant to compensate for the disregard by official (and non-official) literature and to contribute to its theoretical elaboration.

Of course, imperialism is much more than value appropriation, but this systematic appropriation is the constant feature, although it manifests itself differently in imperialism's various phases. Currently, two differences stand out relative to traditional forms of imperialism. The first is that, alongside one imperialist nation extending its domination over the rest of the world (albeit not without differing forms of resistance), there exist also imperialist relations between two *blocks* of nations. One block is said to be the dominant, or imperialist, because it systematically appropriates international value from the other block, which is therefore said to be dominated. The *focus* here will be on those flows (appropriation) of international value which are *related to the existence of blocks* rather than of individual countries.

This appropriation is made possible by a series of international bodies, among which the IMF and the World Bank regulate international credit, the WTO international trade and patenting, NATO the control of natural resources (oil), and the UN inter-state contradictions, to the advantage of the imperialist countries as a whole (and of the hegemonic one in particular). The focus on inter-imperialist relations between blocks denies neither that national states have their own inter-imperialist relations aside from those between blocks nor that states retain much of their importance, as Leo Panitch correctly has insisted.⁵ On the contrary, each imperialist country has its own imperialist relations with other, dominated, countries and each state still performs an economic, political, ideological and military role which is indispensable for the reproduction of capitalist relations (and thus for the operation of the multinational enterprises). However, besides nation-centred imperialist relations, there are also block-centred imperialist relations that are a new feature of imperialist development. The focus of this paper is on *these* relations.⁶

Also different from traditional analyses of imperialism is our understanding that this system structures not only the relations between the two blocks but also their internal composition. Let us begin with the dominant block. While all countries in this block participate, in different measure, in the appropriation of value, not all of them are imperialist. Three categories stand out within this block. The first is the US hegemon. Like all imperialist nations, it systematically appropriates international surplus value (in a variety of economic ways), but the US stands apart from the others as the hegemonic power for two interrelated reasons. Owing to its greater economic strength, it systematically appropriates *from the other imperialist countries* a part of the surplus value that has been either produced or appropriated by them. (Of crucial importance here, as section 3 of this essay shall argue, is seigniorage.) But in addition to this, the US can impose upon other

countries both the economic and the non-economic conditions for (the reproduction of) its hegemony. The economic conditions include not only 'the Americanization ... of legal standards for regulating financial systems and reporting information' and 'cross-border commercial arbitration and credit-rating services' as Panitch suggests,⁷ but also US management techniques and forms of labour contracts. Paramount is the imposition upon other countries of an economic structure functional for US interests — basically dependent development. The non-economic conditions are: (a) political preponderance, i.e. the US is the constant reference point of any alliance within the dominant block (and beyond); (b) military superiority, including through its dominance in military organization with other major states; and (c) ideological power, whereby other countries accept (each in its own way, in different measures, and with different degrees of resistance depending on the circumstances) some of the cultural traits functional for US economic domination.⁸ Vital in all this is the control of the institutes of education and of the means of (mass) communication. Hegemony in one area, e.g. military, can be stronger than in another (e.g. ideological). Hegemony in one area (e.g. economic) can be challenged more than in another (e.g. military). It is *the whole* of these non-economic conditions that makes it possible for the economic predominance to reproduce itself. This whole is not only internally differentiated and contradictory but also subject to constant movement and change.

The second category of the dominant block is constituted by the other imperialist countries. On the one hand, they are on the same level as the US, and compete against each other as well as the US both economically (e.g. by investing in, and lending to, each other, i.e. by appropriating value in the form of profits and interests from each other) and technologically, thus appropriating value through unequal exchange. They also systematically appropriate international surplus value from the dominated countries due to their greater economic strength, and can impose upon the dominated countries the conditions of reproduction of that appropriation. These conditions can be both economic (like the dumping of industrial waste and the shifting of pollution and environmental damage to the dependent countries) and non-economic (along the dimensions mentioned above). On the other hand, only the US is hegemonic, i.e. only it has means for the systematic appropriation of value from both the other imperialist countries and the dependent countries.

The third category comprises the dominated, non-imperialist, countries *within* the dominant block. They participate, in virtue of their membership in that block, in the appropriation of international surplus value without being themselves imperialist countries. They could not appropriate value systematically from other countries if they were not members of the dominant block. Some of them belong to the dominant block fully, and others only partially insofar as they do not benefit from all aspects upon which domination is based. This distinction is useful for an analysis of the EU. Germany, France, and the UK belong to the imperialist core of the EU and of the dominant block while the other EU coun-

tries belong to the imperialist block without being themselves imperialist nations. These latter benefit in different degrees from that membership and are dependent upon the core countries. There is thus an internal hierarchy that reflects imperialist relations within the EU.

The dominant and dominated blocks can be further subdivided according to a number of criteria, such as economic development, structural differentiation, etc. They can also be subdivided into a number of smaller blocks, e.g. in terms of trade flows, economic cooperation or integration. They can be subdivided in geographical areas in which one or possibly two countries are predominant (Russia in Eurasia, Japan and China in East Asia, Brazil in Latin America, etc.). But, as far as an investigation of imperialism is concerned, it is from the above-mentioned categories that empirical analysis should begin. It should also be kept in mind that the distinction between the two blocks is analytical. In reality, not only can a country shift from one category to another, but also, for some countries it might not be clear-cut whether they belong to the imperialist group or not.

Consider now the dominated block. This structure is both the result of systematic appropriation of value in the past, and it remains the most important economic condition for the continuation of that appropriation. Currently, three possible realities define this block, varying according to the ability of the dominated countries to resist imperialist domination. First, the centre grows at the expense of the country of the dominated block to such an extent that local industry in the latter is not developed or is even destroyed. This is classic colonialism. Alternatively, some of the dominated countries can resist this process and set themselves on a path of dependent development. Or, by way of exception, a dominated country can break out of these relations of domination and join the imperialist centre. This change affects the internal composition of the two blocks but erases neither their existence nor their differences. Here too the distinction is analytical. In real life, countries can be hybrid (or transitional) forms in which some features are more pronounced than others.

Under colonialism, the colonies must deliver raw materials to, and import manufactured products from, the centre. Through the mechanism of unequal exchange inherent in international trade, the imperialist country robs the colonies of their raw materials and uses their markets as an outlet for its own (industrial) products. The colonies' resources are squeezed out and local industries (where they existed) attacked up to the point where they languish or disappear. At this point the colonies' capacity to absorb the centre's output is destroyed and they are abandoned to their fate. Even if local industries do survive, no substantial process of industrialization, capitalist development, and structural diversification takes place. In the dependent development type of imperialism, countries can achieve a degree of capitalist economic growth and diversification. However, capital in the dependent countries adjusts production and more generally its economic activity to the markets in the centre (export orientation) and diversifies its internal structure accordingly, rather than the other way around. Moreover, the centre exports to the dependent countries what these latter need

(including capital as aid and infrastructures) for this process of dependence to continue. And finally, the dependent countries produce what the centre needs through the use of more labour-intensive techniques so as to ensure both a transfer of value to the centre and continued technological dependence.

In terms of the present discussion, international prices arise from inter-oligopolistic competition in the centre. They reflect structural technological (and thus efficiency) differentials between the imperialist countries and other countries. Therefore, the imperialist centre, and with it the dominant block, grows at the expense of the dominated block through the appropriation of value inherent in this system of prices. This appropriation is the origin, and in a subsequent period the outcome, of a cumulative process involving capital formation, investment in research and development, and technological innovations.⁹

3. DOLLARIZATION, SEIGNIORAGE AND THE EURO

A very important (but severely undertheorized) contemporary way in which international value is appropriated is US seigniorage.¹⁰ This is an advantage accruing to the hegemonic power, due to the use of its currency as the international one. The economic literature distinguishes between (a) seigniorage as a stock (a one-time gain) and as a flow (a flow of revenue over time) and (b) national seigniorage (the appropriation of value by the state from its own subjects) and international seigniorage (appropriation from one state by another state).

The classic case is that of national seigniorage as a stock, i.e. that of the sovereign who holds the power to mint coins which cost him less than what he can purchase with them. As applied to modern conditions, 'A \$1 bill costs about 3 cents to print, but the U.S. government can use it to buy \$1 worth of goods'.¹¹ Each time a \$1 bill is replaced, there is appropriation of value by the state of a value 33 times higher. The following data on the US monetary base give an idea of the magnitudes involved: \$50bn in 1960, \$81bn in 1970, \$162bn in 1980, \$314bn in 1990 and \$608bn in 1999.¹² National seigniorage as a flow (of revenues), on the other hand, refers to interest paid by the Treasury to the Federal Reserve, roughly \$25 billion a year, on U.S. Government securities that the Fed has acquired through open market operations.¹³ However, when one branch of the state (the Treasury) pays interests to another branch of the state (the Fed), there is simply an internal transfer, a meaningless operation in terms of appropriation of value by the state from its subjects. The notion of national seigniorage as a flow of value is wrong.

When it comes to international seigniorage in relation to the dollar, i.e. the appropriation of value inherent in the use of the US dollar as the international currency, orthodox economics considers international seigniorage as interest paid by foreign central banks on US Treasuries. But this conflation of interest payments with seigniorage should be discarded. In fact, this would imply that the interests paid by the hegemonic country on the dominated countries' securities should be seen as seigniorage, thus attributing an imperialist role to the dominated countries. Seigniorage is properly understood, rather, in terms of the appropria-

tion of value by the hegemonic country inherent in the use of its currency as the international currency. In what follows, therefore, we will consider international seigniorage as a stock. This presupposes that the notion of dollarization must first be introduced.

A distinction can be made among three types of dollarization.¹⁴ Unofficial dollarization occurs when people hold their financial assets in dollars even if the dollar is not legal tender (or is legal tender but not for daily transactions). In semi-official dollarization, or officially bimonetary systems, countries allow a foreign currency as a second legal tender in everyday payments, even though the foreign currency plays a secondary role relative to the national currency. Finally, in official (or full) dollarization a country replaces its national currency with the US dollar. The national currency at most continues to exist in the form of coins having small value. That country becomes part of the US monetary system. Initially, its supply of money is determined by its monetary base (notes and coins both in circulation and as reserves) and by the conversion rate of the local currency into dollars. From that point on, it is determined by its balance of payments. The monetary base grows if exports are greater than imports and if capital inflows are greater than capital outflows, and it shrinks in the opposite cases.¹⁵

We can now consider the advantages of dollarization for the US. Let us start with unofficial dollarization. There are two advantages. The first is *trade-related international seigniorage*. If the US imports goods from a country, it gives dollars (paper that represents purchasing power but with practically no intrinsic value) and gets commodities with intrinsic value. If that country uses those dollars to import from the US, the US gives commodities with intrinsic value and gets back dollars with no intrinsic value.¹⁶ However, if that country does not use those dollars to purchase back US goods (as it happens for other currencies) those dollars represent cost-free imports into the US. This is appropriation of value by the US due to the fact that it issues the world currency. According to one estimate, '[a]bout 55% to 70% of US dollars already circulate abroad, including about 75% of each year's new dollar issuance'.¹⁷ This unofficial dollarization is a measure of US international seigniorage. The US can thus avoid doing what it preaches to other countries, i.e. to redress its trade deficit. The relation between national and international seigniorage is as follows. Each time the US government issues a \$1 note, it appropriates commodities with an equal nominal value from the rest of society. In *nominal* terms, this loss is made good by importing commodities with the same nominal value *if* that dollar is kept abroad. In *real* terms, there is an added advantage due to unequal exchange.

It is true that if other countries did not import, US exporters would suffer. However, in terms of value appropriation, exports are a loss of value. At the limit, if the US were only to import and pay with practically worthless paper money, its exporters would go bankrupt but the US would live at the expense of the rest of the world. Why then the emphasis on exports? For two reasons. From the point of view of value realization, exports are of vital interest for imperialist nations in order to realize abroad that value which cannot be realized internally.

From the point of view of value appropriation, a developed capitalist system is not based on overt robbery. Instead, value is appropriated through less visible means, including the unequal exchange inherent in international commerce (and thus on imports and exports). Every time the US exports, the conditions are re-created for a further appropriation of value through imports, due to unequal exchange, since without exports imports would not be possible.

The second advantage of unofficial dollarization is *debt-related international seigniorage*. The US, thanks to the dollar's role as the world currency, can pay for its debts (if it does) with its own currency. Every time the dollar depreciates, the creditor countries lose value to the US and the latter's debt (in real, value, terms) diminishes. And, besides being the hegemonic power, the US is also the world's major debtor country, a fact which increases the importance of debt-related seigniorage. Consequently, foreign central banks hold huge dollar reserves, thus acting as the bank of last resort for the US. The danger is of course that foreign central banks might cease to play this role.

As for official dollarization, the advantages for the US can be summarized as follows. First, by making devaluation impossible, dollarization deprives the dollarized countries of one basic instrument of international competition vis-à-vis the US. Second, dollarization strengthens trade between the dollarized countries and the US. As a result, unequal exchange grows. Third, US productive and financial investments in that area might also rise (due, for example, to the disappearance of the currency risk or to the further fall in real wages). Excess capital in the US is reduced and the repatriation of profits and of interest on financial investments increases. Fourth, if a country lacks the necessary funds to dollarize, it will have to procure them through international debt. As long as the debt is not redeemed, the outflow of interest will tend to keep the country in a state of either colonialism or dependent development. Lastly, and most importantly, a vastly increased dollar area constitutes a novel strategy to counter the challenge of the Euro. As US senator Chuck Hagel put it, '[i]f dollarization proved to be successful, the U.S. dollar could become the Western Hemisphere's version of the Euro'.¹⁸ It is this factor that explains why dollarization became a real option for the US in the 1990s.

In spite of these advantages, up to now the US has displayed a cautious attitude towards dollarization. There are several reasons for this. First, dollarization could be seen as the antechamber of a monetary union. This would put pressure on the Fed to take the monetary interests of those countries into consideration, especially if they are important US trade partners.¹⁹ Second, even without a monetary union, a major wave of dollarization would put the same pressure on the Fed. This would probably weaken the confidence in the soundness of the dollar.²⁰ Third, the issue of seigniorage sharing would be 'pretty hard to explain to Congress'.²¹ Fourth, an active and open US support for dollarization might be politically counter-productive and spur nationalist, anti-dollarization, movements. Official statements warning countries to consider carefully before giving up their currency should be seen in this light. The US prefers to leave this task to the IMF. For example, as

soon as the Ecuadorian government's intention to dollarize became public, the IMF sent a team of experts (on 12 January 2000) to 'advise' the government.²² On 26 February 2000 an IMF delegation arrived in Ecuador as its Congress was debating the dollarization bill to illustrate its objections to that bill. The session was suspended and the weekend used for last-minute negotiations.²³

Finally, it is (fractions of) the local bourgeoisies of the dominated countries (especially of Latin America) which push for dollarization. The US need not push. The job is being done for them. Dollarization is favoured by large sections of the local bourgeoisie for a number of reasons. First, the high inflation/high devaluation Latin American model of the 1970s and 1980s has become unfeasible. Those policies resulted in the destruction of the national currencies' purchasing power on the one hand and in the 'social instability' associated with increasing levels of exploitation and poverty on the other. Resistance to increasing misery had brought a wave of anti-capitalist movements and of military regimes which, in order to maintain capital's rule and keep the masses at bay, did not hesitate to engage in cruelties and crimes comparable to some committed by Nazi Germany. One of the main justifications for these regimes was that only they could prevent their countries from sliding into communism. With the fall of the Soviet Union, these regimes saw a basic aspect of their legitimation vanish; almost everywhere popular resistance was crushed, both militarily and ideologically. The situation was ripe for a return to 'normality'. However, the return of 'democracy' had to be combined with the maintenance of those traditionally high rates of exploitation. Within the changed political-ideological climate, dollarization represents one, but only one, such opportunity. It has the further advantage that it legitimizes neoliberal policies.²⁴

Dollarization has been supported also by other sectors of the population, basically because it is perceived as a drastic remedy against the high rates of inflation which erode both salaries and pensions. While this is of course a legitimate concern, dollarization will not deliver the promised increase in the level of living (as Panama, dollarized since 1904, shows). First, if the country in question cannot compete through devaluation, it will have to rely on lower labour costs. Wages might fall in nominal terms. They will certainly fall in real terms, given that wages and pensions are fixed by government institutions and employer associations while there are no agencies for imposing controls on the level of prices.²⁵ However, given that too high a rate of inflation is detrimental to international competitiveness, governments will intervene to hold inflation down for non-tradables because of its impact on the prices of internationally traded goods. The former are the goods that are consumed by the working class (food, transportation, etc.). Second, inasmuch as the disappearance of the lender of last resort makes more difficult the rescue of ailing businesses, labour will be hit by higher unemployment rates. Third, if the dollarized country needs to borrow dollars for the conversion of the local currency, the repayment of that loan will lead to budget cuts with concomitant lower real wages. Furthermore, the justification for this will be found in an impersonal development — dollarization — itself an aspect of a supposedly inevitable process — globalization.

We can now return to dollarization as a strategy to hold back EU imperialism. From its inception, the EU (then the EEC) had the imperialist virus inscribed in its genes. Initially, due to its limited economic size, it was incapable of challenging the US and, in the Cold War climate, it had to remain under the aegis of the US and hence also of NATO. In the course of the years, the EU has emerged as an economic power comparable to the US, at least in terms of indicators such as GNP and world trade. The imperialist countries within the EU participate (through international as well as strictly European institutions) in the appropriation of international surplus value. However, until recently, neither they nor the EU as a whole was close to challenging US hegemony. The creation of the EMU and the introduction of the Euro has marked a qualitative change. Through the introduction of the Euro which has the potential to challenge the dollar's seigniorage, the EU is now a potential competitor for the systematic appropriation of value along this dimension. Whether the Euro will become a real competitor to the dollar, only time will tell. But if this will be the case, the non-imperialist countries within the EU will benefit to some extent from seigniorage along with the imperialist European countries. *This* is the real meaning of seigniorage sharing.

This notion has nothing to do with the orthodox one of seigniorage sharing criticized above, which refers to the refunding by the US of (part of) the interest lost by the dollarizing countries due to the conversion of the US Treasuries held in their vaults into dollar bills. Notice also that the correct notion of seigniorage sharing applies to the Euro but not to the dollar. Assuming that the Euro will indeed become a rival of the dollar, when the European Central Bank, a supra-national body, will print more Euros, all EMU countries will receive a share of them, thus sharing in Euro seigniorage. By contrast, if the Fed, a national institution, prints more dollars, it is only the US that appropriates value. To see this, consider the country to have fully dollarized recently, Ecuador. It could be held that every time Ecuadorians import commodities, they pay with dollars. If those dollars did not re-enter Ecuador as a consequence of other countries' unofficial dollarization, Ecuador would share with the US in the appropriation of value from other countries. However, Ecuador must earn somehow the dollars it uses for its imports. For example, it must have exported. Or, if it borrows in order to import, it has to repay that debt. For the Ecuadorian central bank neither prints dollars nor shares in the dollars newly printed. There is thus no seigniorage sharing for the countries that dollarize. This is the difference with the EMU countries and this will be a further advantage for the US even if the Euro will become a truly international currency.

It has been said that the outcome of the contest between the dollar and the Euro is far from certain. Let us mention a few factors that are likely to undermine the Euro project. To begin with, the commitment to a strong Euro will be more trying for weaker than for stronger member states, which intensifies the tendency towards inflation and devaluation. Enlargements might aggravate this difficulty. But, more importantly, the EU is not yet able to impose the non-economic

conditions for its hegemony, due to a twin disadvantage: political fragmentation (basically, the lack of a supranational, possibly federalist, European state) and military weakness. The former drawback is not likely to disappear for the time being. Nevertheless, the EMU member states have already relinquished part of their sovereignty. This sets an important precedent. Military weakness too is a brake for EU imperialist ambitions. The fall of the USSR could have provided an opportunity to break out of this straitjacket. However, it was the US and NATO that have grown in importance. This has been due to a number of factors, like the impenetrability of 'the European security architecture'.²⁶ But the most important reasons are the lack of preparation on the part of the WEU, the military arm of the EU, to pick up a greater role, and UK reluctance to sever its 'special relationship' with the US.

Official economic literature resorts to concepts like 'inertia in international currency use' in order to explain the persistent importance of the dollar: 'international traders and investors face the lowest transaction costs in those currencies which are already the most used, reinforcing their incentives to continue using them and causing inertia. Hence, once a dominant international currency is established, it will usually not lose its role quickly even if the issuing country has lost its leading status'.²⁷ This is true. But that persistence itself needs to be explained with reference to the above mentioned reasons; it is only marginally reinforced by 'inertia'.

But this situation might change. First, the EU is aware that it will have to become militarily more powerful if it is to further its economic interests. Military power should be understood not so much as a precondition for gunboat diplomacy (even though this will be an aspect in the future as well as in the past, as the recent war on Yugoslavia shows). The threat of intervention can be just as effective as intervention itself. Rather, a strong military arm is needed to ensure both the economic and the non-economic conditions for hegemony. Second, UK reservations are mainly based on its fear that an integrated military power independent of the US would give a strong impulse to a move towards further European political integration. But once the UK will have joined the EMU, a further obstacle towards greater political unity and thus towards a European army will have been removed.²⁸ Third, the member states' military industries are also pushing for greater military integration in order to create firms capable of competing with US giants and of manufacturing standardized weapon systems.²⁹ And fourth, the US will have to share power with the EU because it is becoming too onerous for them to police the world by themselves.

The recent agreement to form a 60,000 strong European rapid intervention force is no indication that a truly European army is in the making, since it is composed of segments of national armies employing NATO infrastructures. However, the fact that the WEU will cease to exist and that this rapid intervention force will be part of the EU (rather than remaining an organization independent of it, as it would have been under the WEU) is an important new development. The US will allow, or even spur, the EU to create its own army

but under conditions such that it will remain an extension of the NATO. These, however, are exactly the conditions the EU wants to break out of.

The terrain on which the struggle for world hegemony is fought is ultimately that of technological leadership. This requires constantly higher levels of productivity in the leading economic sectors. It is uncertain whether the EU will manage to achieve this leadership. But the signs and tendencies are there, most visible in the economic areas (capital penetration and levels of productivity) and in the monetary field (the EMU) but already discernable also in the political and military fields. It would be a mistake to ignore them and consider US hegemony as absolute just as it would be a mistake to consider the EU as a fully hegemonic power, side by side the US. A more balanced view should stress both US hegemony and the real challenges to that hegemony. The Euro is one such challenge.

4. IMPERIALISM AND TRANSNATIONAL CLASSES

The above has important ramifications for the class structure emerging from present-day imperialism. Just as the previous sections have focused on some aspects of supranational imperialism (rather than of national imperialisms), this section focuses on just a few aspects of the two basic classes in their supranational manifestations.³⁰ Let us begin with the bourgeoisie.

Firstly, there exists, side by side with the national bourgeoisies, a world bourgeoisie, inasmuch as elements of the national bourgeoisies (1) share common interests relative to other classes (2) are conscious of these common interests, and (3) dispose of instruments (legal, institutional or otherwise) for pursuing, and limiting the contradictory nature of, those interests. These bourgeoisies relate to each other in a hierarchical way, i.e. the bourgeoisies of the imperialist countries (with the US bourgeoisie playing the dominant role) are dominant vis-à-vis those of the other countries. It is the former's interests that are basically catered for by institutions such as the UN, NATO, the IMF, the World Bank, and the WTO. These institutions both mediate between the interests of different national bourgeoisies (primarily those of the imperialist powers) in order to allow the emergence of common supranational interests and more or less overtly impose those common interests upon other classes or countries.

The terms 'national bourgeoisies' should be properly understood. As opposed to the notion that bourgeoisies are national because they are external to, and separate from, each other, Poulantzas stressed forcefully that they are the result of the mutual interpenetration of nationally based capitals.³¹ The point is well taken. However, Poulantzas' emphasis was on US capital's penetration of other national capitals and thus on its reproduction within those national realities. This was a partial rendition that was perhaps consonant with the reality of the early 1970s when US penetration in Europe could be seen as the 'new' structure of European dependency. But nowadays the opposite is also the case. Capitals of other imperialist countries penetrate US capitals as well. This holds not only for productive capital (Poulantzas' focus) but even more for financial and speculative capital. The dominant role of US capital (bourgeoisie) thus does not rest on a one-way repro-

duction of US capital within other socio-economic formations (with the concomitant ideological and political effects). Rather, it rests on the reasons mentioned in the previous section, on the appropriation by US capitals of surplus value from other imperialist countries and on the imposition upon these countries of the economic and non-economic conditions for the continuation of this appropriation. Moreover, Poulantzas writes off too hastily those capitals that continue being based only or principally on a national process of accumulation. It follows that a national bourgeoisie is composed of *both* those agents who represent nationally based capitals *and* those agents who represent the result of national capitals' mutual interpenetration. It is the interests of these two fractions of the national bourgeoisies (in their interrelation) that are moulded by international institutions into the world bourgeoisie's common interests relative to other classes (countries) and under the hegemony of US bourgeoisie.

Second, it is usually held that financial capital is dominant *vis-à-vis* industrial (and more generally productive) capital. This should be properly understood. Since financial capital lives off the surplus value produced by productive capital, it is the latter which is the condition of existence (the determinant) of the former. Financial capital, in its turn, is the condition of reproduction of (determined by) industrial capital. This can, and does, imply that financial capital sets its own rules, including the destruction of units of industrial capitals, in order to ensure the reproduction of the latter and thus of the system as a whole. The conspicuous way in which financial capital does this is wrongly perceived as dominance *vis-à-vis* industrial capital. The size of financial and speculative capitals moving around daily on the world market lends further credence to this illusion. Nevertheless, the dominant fraction within the world bourgeoisie is the productive (including the industrial) one, even if under specific circumstances it might delegate the task of its own (and of the system's) reproduction to other fractions.

Third, we have seen that national states ensure the reproduction (possibly on an enlarged scale) of nation-based oligopolies by pursuing economic and other support policies ultimately in the interests of the oligopolistic sector. This holds whether an oligopoly is based in one nation (the rule) or in more than one (the exception). Thus, the dominant fraction within the world bourgeoisie is the oligopolistic one, with the national bourgeoisies, including the national political elites, making its reproduction possible. Consonant with the main argument of this essay, within the world bourgeoisie it is still the US bourgeoisie that is dominant. To sum up, the dominant fraction within the world bourgeoisie is that of the US productive oligopolistic capitalists.

But we are witnessing the emergence of a European bourgeoisie as well. It is composed of the various national European bourgeoisies inasmuch as they have common interests, are conscious of these interests and have at their disposal common instruments to further them. Paramount in expressing these interests are the European Summits, the Councils of Ministers, the Commission, the Parliament, and the European Central Bank. These institutions are the instruments through which the European bourgeoisie manifests itself. They are at the

same time the arena in which both purely national, i.e. opposite, interests and supra-national, i.e. common, interests are furthered. Sometimes the distinction is purely analytical but at other times the differences are clear. By focusing only on the mediation between national interests, the European dimension of the bourgeoisie is denied. The specificity of these institutions, relative to those at the disposal of the world bourgeoisie, is that they formulate policies in a relatively autonomous manner since some areas of decision making have been transferred to them from national states. The European bourgeoisie thus is a more unified class formation than the world bourgeoisie, due to the institutions which make it possible for the former to carry out its own class based policies, but a less unified class formation than the national bourgeoisies. The emergence of (supranational) classes is a gradual process. Within the European bourgeoisie, the German industrial oligopolies followed by the French and English ones, are the dominant fractions, and thus the fractions that have privileged access to the centres of European decision making.

The situation is far less favourable for the European working class, not to mention the world proletariat. While common objective interests clearly exist,³² European workers lack awareness of them. Usually, inasmuch as the national proletariats defend their interests on an international level, they do so only as national classes and thus in opposition to each other. The reasons for this weakness are many, both conjunctural and not. Here only three can be briefly addressed.

First, a class emerges as an active agent of class struggle inasmuch as it aggregates through and around its own institutional and otherwise means of domination of other classes.³³ The European bourgeoisie's means of domination (including EU institutions) are at the same time the means through which the emergence of the European working class as an agent is held back (or its disaggregation is fostered) through blackmail, individual co-optation, ideological barrage, and the creation of divisions among its different sectors. For example, the influence of European oligopolies, e.g. through their pressure groups such as the European Roundtable of Industrialists, on European institutions is far greater than that of other classes.³⁴ But the question is not only one of how those institutions are used. It is their nature itself that is inherently anti-labour. As Accattatis remarks, they have been fashioned after the French Bonapartist, institutional model which is characterized by the concentration of power in the executive, by a passive democracy and by active paternalism, all aimed at fostering entrepreneurial interests.³⁵ The European working class lacks not only its own European institutions that would allow it to unite and emerge as an active player. It is also denied significant influence within the existing institutions.

Second, new technologies cause a tendency towards the proletarianization and de-qualification (and a counter-tendency in the opposite direction) of class positions. Those positions that combine both the function of labour (transformation of use values) and the function of capital (control and surveillance) are proletarianized if the function of capital disappears either because it is incorporated in the

means of production or internalized by labourers.³⁶ A position is de-qualified if the value of the labour power of those who fill it is reduced. New technologies cause proletarianization and de-qualification of positions either by simplifying them or by eliminating some of the tasks constituting them. They also can (and mostly are designed in order to) introduce new forms of control by the ultimate controllers upon both the controlled and the other controllers.³⁷

While in the 1970s, due to a strong labour movement, a re-composition of tasks into new positions usually indicated its re-qualification, this is not the case anymore. Nowadays, capital, especially in the technologically dynamic sectors, needs both 'flexible' workers, who can shift from one de-qualified position to another, and a reassembling of de-qualified tasks, which does not result in new re-qualified positions but in new de-qualified ones. Moreover, these new positions can contain, again, elements of the function of capital. In the present ideological conjuncture, and partly because of the reintroduction of the function of capital into many positions, 'flexibility' and de-qualification can be smuggled into the labourers' consciousness as re-qualification, greater responsibility, independence, opportunity for personal growth and ultimately 'escape' from the proletarian condition. An important role here is played by the use of the computer and related technologies for tasks which, even though de-qualified, are regarded, just because of this use, as qualified. The greater this mystification, the weaker the collective labourer's class consciousness.

Imperialism reinforces this false perception in at least two respects. First, very broadly speaking, inasmuch as material labour processes are exported to the dependent countries and mental labour processes remain in the technologically advanced, imperialist, countries,³⁸ the perception is created that the working class-condition is exported to those countries. This is false both because mental labour processes can, and do, imply de-qualified mental labour and because the identification of classes depends on criteria other than mental or material labour (often misunderstood as intellectual and manual labour), whether qualified or not.³⁹ Second, this mystification rests on the redistribution of part of the surplus value from the dependent countries to the labourers of the imperialist ones. The higher standard of living gives rise to a false feeling (skilfully cultivated by capital) that workers are not workers any more but 'middle class'. This, together with the political weakness of the Left (which was reflected in the disintegration of the USSR and the shift to the right in social democracy), goes a long way in explaining the fall in the European workers' class consciousness in the 1990s.

The third factor accounting for this weakness is the blackmail to which the European working class is subjected: the great mobility of capital and thus of the threat of relocation should workers' demands be 'excessive'. At the same time, the influx of 'foreign' labour into the imperialist countries of the EU is used to decrease wages and to threaten job security. While it is true that the European collective labourer 'profits' from the crumbs of imperialism (the above mentioned redistribution of value), it is also true that many sectors are increasingly subjected to pauperization (relative to the socially determined level of living in the EU). Job

and wage insecurity are, again, powerful allies of capital. Moreover, false conflicts of interest are created. Capital's ideologists play an important role here. If, as neoclassical economists hold, lower wages were the way out of crises, it would make sense to expel foreign workers in order to reduce the 'social' wage (old age pensions, medical care, education, etc). If, as Keynesians hold, higher wages were the way out of crises, it would make sense to increase wages by forcing foreign labourers' repatriation. But both views are anti-labour and both are wrong.

Crises and unemployment are caused neither by too high nor by too low wages. Lower wages do increase profits but on the other hand they increase realization difficulties as well. Higher wages do reduce realization difficulties but at the same time they reduce profits as well. The level of wages can only modify the shape of the cycle, not eliminate it.⁴⁰ But if wages impact only on the shape of the cycle, a policy of closed doors can only have a marginal and temporary effect on one of the *main* reasons behind anti-foreign labour policies, the fear of unemployment. There are no inherently contradictory economic interests between the two sectors of the European collective labourer. This contradiction appears to emerge only if labour is seen as a cost rather than as the source of all value and wealth.

But this is Capital's view, not Labour's view. And this reflects a real weakness of the European working class that this essay has tried to address, i.e., the tendency of its leaders and intellectuals to embrace the view of Labour's class enemy especially as it is manifested today in the ideology of globalization and the bourgeois economic thinking that underpins it. As always, the Right wins not because it is strong but because the Left is weak.

NOTES

- 1 G. Carchedi, *For Another Europe. A Class Analysis of European Economic Integration*, London: Verso, 2001, ch. 2.
- 2 For the possibility of a truly radically alternative type of society see G. Carchedi, 'Democracy, the Market, and Egalitarianism', in J. Milios, L. Katseli, and T. Pelagidis, *Rethinking Democracy and the Welfare State*, Athens: Ellinika Grammata, 1999.
- 3 G. Carchedi, *On the Economic Identification of Social Classes*, London: Routledge and Kegan Paul, 1977, and *Frontiers of Political Economy*, London: Verso, 1991.
- 4 More precisely, the proletariat is given by all those who sell their labour power to the owners of the means of production either directly or indirectly (such as through the state and its institutions). It encompasses both productive and unproductive labourers, both mental and material labourers, both the employed and the unemployed, both those who hold full-time jobs and those who must be content with part-time, short-term and subsistence jobs, no matter in what branches of the economy (i.e., not only in the industrial but also in the agricultural, commercial, etc. sectors). It excludes those who,

while selling their labour power to capital, either directly or indirectly, perform what Marx calls the work of control and surveillance (since they are an extension of capital) but it encompasses those who perform the work of coordination and unity of the labour process. It also excludes those who belong to the middle classes, either old or new (see G. Carchedi, *Frontiers of Political Economy*, London: Verso, 1991). The proletariat needs to be conceived as a world entity (the collective labourer on an international scale) rather than only a collage of national proletariats because of the international dimension of what Marx calls the socialization of the labour process. Although the conditions under which the world proletariat can develop consciousness of itself cannot be dealt with here, it would be wrong to deny the existence of a proletariat simply because of this lack of consciousness.

- 5 '[S]tates, and above all the world's most powerful state, have played an active and often crucial role in making globalization happen. Increasingly, they are now encumbered with the responsibility of sustaining it' (L. Panitch, 'The New Imperial State', *New Left Review*, 2, March-April, 2000, p. 5).
- 6 Japan and Asia are generally disregarded here. Contrary to the EU, Japan cannot be seen as a real, not even as a potential, rival of the US. Its international weight is not comparable to that of the EU. Right before the introduction of the Euro, the EU had a GDP roughly comparable to that of the US, while Japan's was only half. The US dollar was used in almost half of all international transactions, while the currencies of the EU countries were used in about 30 percent and the yen in only 5 percent of those transactions (C. Sabhasri, 'Euro and Asia: Hope and Fear', *Euro*, 46, 1999, p. 58). As for its relations to the other Asian countries, Japan has nothing even remotely similar to the pre-EMU European institutions.
- 7 Panitch, 'The New Imperial State', p. 15. Reporting information may be thought unimportant. But this is not so. The BIS requires that the ratio between a bank's capital and its risk assets (primarily loans) be no less than 8% (the 'capital adequacy ratio'). Take Japan. Since Japan's lending is denominated in dollars but its capital is denominated in yen, to make the numerator and the denominator of the capital adequacy ratio compatible, yen-denominated capital is converted into dollars. Now, in case the yen depreciates, this ratio is reduced and with it Japanese banks' ability to lend. If depreciation is needed to revitalize the economy (through exports), credit must be reduced just at a time when it should be increased. This constraint could be avoided if the ratio would be expressed in yen (i.e. if the risk assets would be denominated in yen). Since the BIS requires that the ratio be expressed in dollars, not only Japan but all other countries are at a disadvantage, except the US. See C.H. Kwan, 'A Yen Bloc in Asia?', *Euro*, 46, 1999, p. 64.
- 8 Like, for example, (American) English as the world language of business and science, US universities and research institutes as centres of excellence to be imitated, and the 'American way of life' as something to be aspired to. In his

- farewell speech on 18 January 2000, President Clinton spoke of the desirability that ‘the world shares our cherished values’. The US, of course, can accept cultural traits from other countries but these are not realized conditions for the economic predominance of these countries upon the US.
- 9 Generally speaking, efficiency differentials lead to prices reflecting an average efficiency that penalizes the technological laggards and rewards the technological leaders. If a producer increases its efficiency, there is an increase in the appropriation of value (or a reduction in the loss of value) at the cost of all other producers in proportion to their level of efficiency. A new structure of prices arises reflecting this changed situation. Exchange on the basis of these prices hides that appropriation of value and is called unequal exchange. Unequal exchange presupposes that all similar commodities are sold at the same price, a price that tendentially gives the average productivity producers the average rate of profit. However, this constant advantage (value appropriation) makes it possible for the technological leaders to undersell their competitors. This price competition reinforces value appropriation but is not unequal exchange.
 - 10 The discussion of dollarization that follows is a shorter version of Carchedi, *For Another Europe*, ch. 5. See also G. Carchedi, ‘La Dolarización, el Señoraje, y el Euro’, *Cuadernos del Sur*, 16, (30), 2000.
 - 11 K. Schuler, *Basics of Dollarization*, Staff Report, Joint Economic Committee (Office of the Chairman, U.S. Congress, 1999, available at <http://www.senate.gov/~jec/106list.htm>, section 4.
 - 12 US Federal Reserve, Federal Reserve Statistical Releases, H3 Historical Data, *Aggregate reserves of depository institutions not adjusted for changes in reserve requirements and not seasonally adjusted*, Washington DC, 27 January 2000. All data refer to December.
 - 13 US Federal Reserve, Board of Governors of the Federal Reserve System, *The Federal Reserve System: Purposes and Functions*, Washington DC, 1994, p. 17.
 - 14 Schuler, *Basics of Dollarization*.
 - 15 As Stein remarks, ‘[m]uch of Latin America is already *unofficially* dollarized’ (R. Stein, *Issues Regarding Dollarization*, Subcommittee on Economic Policy, US Senate Banking, Housing and Urban Affairs Committee, 1999, p. 2). By 2001 half-a-dozen countries were semi-officially dollarized including, most recently, El Salvador and Guatemala. So far two countries have dollarized completely: Panama (in 1904) and Ecuador, in 2000.
 - 16 Of course, paper money has a value, its purchasing power. However, to understand seigniorage, it is its lack of intrinsic value that should be focused upon.
 - 17 Stein, *Issues Regarding Dollarization*, p. 7.
 - 18 Prepared Testimony of Senator Chuk Hagel, Hearing on Official Dollarization in Emerging-Market Countries, 22 April 1999, available at http://www.senate.gov/~banking/99_04hrq/042299/hagel.htm. See also

- Schuler, *Basics of Dollarization*, section 4; and Speech by Deputy Treasury Secretary Lawrence H. Summers at the Senate Banking Committee Subcommittee on Economic Policy and Subcommittee on International Trade and Finance, *Treasury News*, US Treasury, Office of Public Affairs, 22 April 1999.
- 19 C.F. Bergsten, 'Dollarization in Emerging-Market Economies and its Policy Implications for the United States', statement before the Joint Hearing of the Subcommittee on Economic Policy and the Subcommittee on International Trade and Finance, Committee on Banking, Housing and Urban Affairs of the US Senate, Institute For International Economics, 22 April 1999.
 - 20 A. Acosta and J. Schuldt, *Dolarización vacuna para la Hiperinflación?* Unpublished paper, 2000.
 - 21 J.A. Frankel, Transcript of a Speech on 'Dollarization: Fad or Future for Latin America?' *IMF Economic Forum*, 24 June 1999. The conventional notion of 'seigniorage sharing' derives from that of international seigniorage as a flow of interests, which has been rejected above. In that view, if the dollarized country changes its US treasuries into dollars in order to buy back its own currency, it loses interests on those treasuries. That country's compensation by the US for a part of that loss is called seigniorage sharing. While this loss sharing is not appealing to the US, its absence is not appealing to the countries considering full dollarization. Contrary to Schuler (*Basics of Dollarization*, section 4) the prospect of losing 'seigniorage' is only a minor factor explaining why official dollarization is rare today 'despite potential benefits'. See below, however, for an alternative notion of seigniorage sharing.
 - 22 *El Comercio*, 13 January 2000.
 - 23 *Ibid.*, 27 February 2000.
 - 24 Not all sectors of the bourgeoisie favour full dollarization. For example, a managed devaluation might benefit export-oriented capital by cheapening exports, and speculative capital by creating the possibility of selling local currencies at a relatively high rate and re-buying them at a lower rate.
 - 25 According to *El Comercio* of 16 January 2000, wages in Ecuador will be 'fixed by the Government' but prices could not be fixed in a free market economy. As if wages were not the price of labour power in such an economy!
 - 26 J. Oberg, *The Imminent Militarisation of the European Union*, paper available at http://www.transnational.org/pressinf/2001/pf110_EU_imperial.html.
 - 27 P. Hartmann, 1999, 'Trimetrics, the Euro in the New Order of International Currencies', *Euro*, 46, 1999, pp. 71.
 - 28 This suggests the existence of conflicts within the EU, a topic which cannot be dealt with here. See Carchedi, *For Another Europe*.
 - 29 S. Cararo, 'Globalizzazione o competizione globale? Quattro considerazioni sull'imperialismo nel XXI° Secolo', *Contropiano*, Rome, June 2000.
 - 30 I disregard thus the middle classes, both old and new, the peasantry, etc.
 - 31 N. Poulantzas, *Les Classes Sociales dans le Capitalisme Aujourd'hui*, Paris:

Éditions du Seuil, 1974, ch. 1, part II.

- 32 See Carchedi, *For Another Europe*, ch. 8.
- 33 From this angle, the distinction between class in itself and class for itself is insufficient.
- 34 *Ibid.*, ch. 1. The European Roundtable of Industrialists was founded in 1983 by Umberto Agnelli of Fiat, Wisse Dekker of Philips and Pehr Gyllenhammer of Volvo
- 35 V. Accattatis, *Quale Europa?*, Milan: Edizioni Punto Rosso, 2000.
- 36 Carchedi, *On the Economic Identification of Social Classes*, ch. 1, especially section VI, and ch. 4.
- 37 *Ibid.*
- 38 This is an extreme generalization, useful only to localize a broad trend.
- 39 For a theory of material and mental labour see Carchedi, *Frontiers of Political Economy*.
- 40 Carchedi, *For Another Europe*, ch. 8.