Because time is short, the first section of the Robbins textbook is summarized for you (in a total of 14 pages). This will allow you to fast forward through this material without missing it. The summarized material of Part I provides the foundation needed to understand the answers to global questions provided in Part II.

These notes were prepared by Dr. Beverly Farb. I have supplemented them to emphasize points I am particularly interesting in having you note.

**Main Message from the Robbins Textbook**

Globalization has brought the world wonderful gifts. But here’s the problem:

- these benefits are not equally distributed
- these benefits come at enormous costs
- these costs are often hidden

The culture of capitalism is best thought of as the interactions among consumers, laborers, capitalists and the nation-state tied together by the pursuit of money. To understand our global problems, we must understand the "culture of capitalism." The world is under constant pressure:

- to keep economies growing,
- to industrialize new areas,
- to convert human experience into "commodities" (i.e., things that can be sold and bought)

These pressures are responsible for the major problems that we face as a globe: environmental deterioration, poverty and starvation (of a substantial portion of us), global epidemics, long-standing conflicts (e.g., over immigration), contributions to war, and the loss of diversity (both biological and cultural).

**Highlights from the Introduction: The Magic of Money**

Money once had its own value. For example, gold coins could be melted and used for something else. (Likewise, shells or other objects used for money could serve multiple purposes.) Exchanging money involved an exchange of real worth.

**Magic Trick 1**: Paper money was invented in China during the 1100's. By the 1300's, it was widely adopted by Europeans. But banks and governments backed paper bills with precious metals that could be demanded by the user at any time.

**Magic Trick 2**: Banks did not really keep as much precious metal as there was paper...they trusted that not everyone would demand metal at once.

In the meantime, banks could make loans and gain interest. For example, in the U.S. (until the Great Depression of the 1930's) local banks were once required to keep enough gold on hand to cover 10% of their assets. So for every dollar in gold, a bank could lend out nine paper dollars more.

But here’s the problem: that extra money is debt. Debt requires interest, and that means more money must return, and that means the money supply must continually increase. Or else what? Or else, borrowers will not be able to repay their loans, and then banks will not be able to repay theirs, and then businesses will not be able to repay theirs. In other words, an economy based on debt must keep growing.
When money is tied to gold, the way to keep money growing is to keep finding more gold. That’s part of what inspired Europeans to colonize the rest of the world. But when money is entirely symbolic, not backed by gold or anything else, the way to keep money growing is to keep finding more goods and services that people are willing to exchange for it.

(Wait…when did money become entirely symbolic? During the Great Depression, central banks, such as the U.S. Federal Reserve, stopped allowing people to exchange their paper dollars for gold on demand. In 1971, the U.S. announced that its currency would no longer be backed by gold at all.) This is when commodity money shifted to credit money (also called fiat money). Credit money does not require backing by some commodity of recognizable value. Credit or fiat money is backed by nothing more than the guarantee of the state.

So…survival means continually increasing goods and services. We pursue that by:

1) Expanding our markets, industrializing more and more of the globe.
2) Transforming more and more aspects of life into commodities to be bought and sold.

According to Robert Guttmann, there is no more powerful motive in our lives than money. Both practices are essential to the culture of capitalism, and both contribute substantially to global problems.

The culture of capitalism has four necessary players: the consumer, the laborer, the capital controller, and the nation state. (Robbins gives each of these its own chapter.)

**Highlights from Robbins Chapter 1: Constructing the Consumer**

The desire to endlessly accumulate things is not necessary. There is no biological drive that demands it, and it has not always existed in human culture. Some cultures still manage to discourage it. Until the late 1800’s, even the cultures of America and Europe valued moderation and self-denial. So how was our consumer culture created?

During the early and mid 1800’s, new manufacturing technologies resulted in overproduction. This gave industry bosses an urgent motive to dramatically increase consumption.

Prior to the early twentieth century, the American culture emphasized frugality and people were expected to save their money, only buying necessities. Consumerism is a product of the twentieth century.

The late 1800’s saw the following changes:

1) **The emergence of the department store.** These stores developed the art of tempting displays. Before that, stores simply had goods in storage, available if wanted. The foundation for the construction of the consumer was laid in the 1890’s as a result of the evolution of the department store as a place to display goods

2) **The emergence of advertising.** Psychology was a new field of study and was applied to transforming luxuries into necessities. Sales people used to focus on product quality and practical function. But now they claimed that products would provide wellness, contentment, and identity.
3) The emergence of fashion. The clothing industry (supported by the entertainment industry) was the first to insist that products must be always new. So continuous shopping became "necessary." [Of course this concept of necessary was not linked to the necessity of wear.] (Some argue that fashion in clothing is thousands of years old. That's true if you mean that the wealthy have always dressed differently than the poor. Certainly, clothing slowly changed style as the centuries passed. But this was the first time in history that the general public was expected to keep up with rapid changes. This new approach soon spread to other kinds of products.)

4) The emergence of consumer service. An important feature in the creation of the consumer society helped to "mask the inequality, poverty, and labor conflict" which was occurring at the turn of the century. This feature was service which made the consumer feel like a guest. When producers make consumers comfortable, they create an illusion of a caring, untroubled world. This allows consumers to remain ignorant of the human and environmental costs involved.

5) New religious movements (e.g., Christian Science, Unity, etc.) emphasized joy, eliminating discussions of guilt or suffering. This helped mask the suffering created by the new consumer culture.

6) Business owners began to understand the commercial potential of holidays. Holidays used to be seen as a negative for business because they interrupted work schedules. When holidays were commercialized, ordinary people lost income to a new set of consumer obligations. Worse, the meaning of public celebrations was permanently changed.

In the early 1900's new changes built on the ones listed above:

1) Universities began to teach business management, advertising, and design.

2) In the 1920's, President Hoover expanded the Department of Commerce. It now collected data on consumer behavior, advised businesses on most effective strategies, and worked hard to convince Americans that they must buy their own homes. When Americans buy single-family homes, their need to consume expands significantly: they need transportation, furniture, appliances, etc. To top it off, Hoover sponsored a White House Conference on Child Health and Protection. The experts concluded that each child needs a separate room and lots of toys in order to develop properly. Again, the need to consume was maximized.

3) The books of L. Frank Baum were published and became widely popular (e.g., The wizard of Oz). Baum was a retailer, skilled at manipulating consumers. He intended his books to replace older fairy tales: in his stories, sorrow and fear would always be magically conquered. He purposely deleted the "moral of the story," but in doing so, he also got rid of any concerns about consequences. Like the consumer service and the new religious movements described above, this new kind of fairy tale lulled people into believing that all was well.

Children's literature has been able to be used as an instrument to create the impulse to consume as children tend to look for moral lessons in their stories.

4) The commercialization of holidays intensified. Santa Claus came to serve a double purpose. First, the new importance of Santa encouraged parents to buy more than ever before. Second, the story of Santa idealized production and consumption where the consumer, the laborer and the capitalist was seen as a happy coalition of benevolence. Happy elves made toys for free, and Santa gave these out for goodness sake. This denied the agony of real workers in real sweat shops. It also made consumer spending seem like a virtue and duty.
5) The public calendar was changed to maximize holiday spending. Business leaders convinced Franklin D. Roosevelt to move Thanksgiving back to give the season an extra week. Later, Congress made that change permanent.

In the mid – 1900’s, three more changes solidified consumer culture:

1) In the economic boom following WWII (and with government assistance), Americans left cities for the suburbs. In record numbers, they realized the manufactured dream of home ownership. Retailers followed them, creating the “shopping mall.” Suburban malls were different than older shopping areas. Previously, public places (which included stores) drew people together for multiple reasons. Community conversations were encouraged there. But in the malls, the only purpose for coming was to consume.

2) Advertisers learned to target specific populations (e.g., just Mexican Americans or just teenagers). Before, they were marketing to the general public. But now they studied specific categories to maximize potential for manipulating desire.

3) Disneyland opened in 1955, a monument to consumer culture. Disneyland perfected consumer service in an idealized world, magically safe and clean. Typical visitors were (and still are) members of the upper middle class.

Disney has created the ultimate Mecca of consumerism. The Disney kingdoms have rewritten history as "it should have been" and created fantasy lands where the imagination can soar. Disney separates the consumer from the negative side of capitalism

In the late 1900’s:

1) Disney World was added with a special focus on “progress.” The EPCOT center presents the history of industrialization and capitalism in an idealized way. Besides, it serves as a continuous advertisement for the corporations that sponsor displays there (e.g., AT & T presents the history of communication). The political history of the United States is also sanitized for presentation in Disney World. Inequalities and abuses are mentioned as if they were past and gone. It is also implied that the wrongs of the American past worked out for the best in the long run. For example, in the late 1800’s, Chief Joseph of the Nez Perce fought long and hard to keep Indian independence. But he was finally defeated by U.S. forces. Disney presents Chief Joseph’s surrender speech like this:

….Let your new dawn lead to the final sunset on my people’s suffering …I pray that all of us may be brothers with one country around us and one government for all. From where the sun now stands, I will fight no more forever.

The Disney version of this speech makes it sound like Chief Joseph was embracing the U.S. nation and foreseeing a noble future of unity. But what Chief Joseph really said was this:

…I am tired of fighting. Our chiefs are killed…The little children are freezing to death…My heart is sick and sad. From where the sun now stands, I will fight no more forever.

2) Also in the late 1900’s, American consumer culture was exported across the globe with new speed (and continues in the same way today). Corporations spread the culture when they move their operations abroad in order to save labor costs. America and Great Britain supply the world with their major news sources, so global news stories tend to reflect Western concerns. The Internet, while information certainly can flow in all directions, tends to be dominated by Western players.
Stray, but interesting facts:

1) India and China, the two most populous countries on earth are rapidly being converted into consumer societies.

2) As part of a healing ceremony, Navajo sandpainters created a representation of the universe in order to help the ill return to his/her proper place in the world. In capitalism, contemporary sandpainters are those in the society who create a consumer society in which buying commodities becomes the duty of the consumer.

Highlights from Robbins Chapter 2: The Laborer in the Culture of Capitalism

The laborer, a person who survives by selling his or her labor is historically a recent phenomenon evolving from the growth of capitalism.

One way for businesses to gain profits is to keep the prices of their goods and services high. But they risk losing consumers that way. Instead, most businesses prefer to maximize profits by cutting costs. It is imperative to keep the cost of production as low as possible in order to maximize profits because investors must receive a high return as an incentive to not take their money. The most dramatic savings can be gained by cutting the cost of labor. That means paying workers as little as possible for as much work as possible, and that usually means abusing them.

Question: If industrial capitalism works best when it abuses laborers, how can ordinary people be convinced to participate? Answer: By depriving them of direct access to basic necessities like food and shelter. Take away their land. Then the only way people can get food and shelter is by selling their labor, and that puts them at the mercy of company bosses. For example, in the early 1800’s, most Mexicans lived in villages and helped to farm community-owned land. Village land was not for sale. But in the mid-1800’s, legislators divided up village lands, gave it to individuals, and encouraged them to sell the land to wealthy investors. By 1910, 90% of the Mexican population was landless. They were forced to sell themselves as laborers. A century later, as we approach the year 2010, Mexican workers are still desperately seeking to sell their labor, and this is why they press the American border.

Immigrants to wealthy nations must compete for low end jobs. Migration became an important factor in the development of capitalism because it kept the cost of labor low. This creates ethnic and racial conflict. In the culture of capitalism, ethnic and racial groups were not unified even though they were all part of the laboring class. For example, in the early 1800’s, when most Irish were still in Ireland, they spoke out against black slavery. Not much later, when they immigrated to the U.S. in great numbers (fleeing the potato famine), the Irish became anti-black and supported slavery. In the 1840’s it would be 20 more years before the slaves were freed, but there were free blacks in the north who had the low end jobs the new immigrants wanted.

In order to get the cheapest labor, business owners in the U.S. (and other relatively wealthy countries) were once in the habit of encouraging immigration. But by the late 1900’s, corporate executives discovered that they could gain greater access to cheap labor by sending the jobs abroad instead. Corporations began “going multinational” in the 1960’s. The U.S. government provided the first push: it offered to send factory jobs to Mexico if Mexican immigrants would “go home.” So U.S. companies set up “maquiladoras,” or factories, in Mexico. The trouble was that the workers were paid as little as possible, and so the jobs did not pull the workers out of poverty. The factories were also unsafe, for example, by exposing workers to toxic chemicals. The corporate bosses used up resources and disposed of waste in ways that were destructive to the environment. They got away with it because the Mexican government wanted the businesses to stay. When wealthy corporations
send jobs abroad, they tend to hire the most vulnerable workers, typically women (and sometimes children) rather than men. This is because vulnerable workers are much easier to control.

People who desperately accept low end jobs from industrial capitalists know that they are being violated. Sometimes they protest. For example, in the mid-1800’s, workers violently protested throughout Europe. (Among other demands, they wanted the right to vote.) The theories of Karl Marx formed the basis for socialism and served as a blueprint for union organizers. Karl Marx was one of those who helped inspire revolt. He hoped to provide an escape from industrial capitalism and establish a utopian society called “communism.” In communism, people would be free and equal without differences between bosses and workers. At first, worker protests seemed to be successful as eleven European governments were taken over. But within 18 months, the movements had been squashed. (Later, in the 1900’s, Russia and China would both claim to fulfill Marx’s communist dream. But neither of them provided the equality or freedom promised.)

Sometimes, protest against industrial capitalism can be seen in a less dramatic form: the creation of stories. For example, in Europe, the tale of Rumpelstilskin can be seen as a protest tale about worker powerlessness. In the fable, the young lady is asked to spin straw into gold. In the early textile industry, flax straw was used in making cloth, so workers were literally converting straw into money. In the fable, the young lady must give up her firstborn in exchange for the privilege of doing this work (and creating wealth for someone else). In capitalism, the laborer must sacrifice family relationships, especially parenting, in order to keep a job (which creates wealth mostly for someone else).

I The capitalist’s view of money is similar to that of the Colombian peasant in that both views exhibit a belief that money has a life of its own. When industrial capitalism was introduced to the peasants of Colombia, a new story of protest developed. The Colombians were mostly Catholic and had the habit of baptizing their infants. Some parents began secretly slipping money into their babies’ baptismal clothing so that the blessing of baptism would fall on the money instead of on the baby. According to the new story, this meant that the money could then gather other money and return, multiplied, to its original owner. Of course, this was gained at a terrible cost: the soul of the baby would be eternally lost because of not receiving the baptismal blessing. Again, here is the theme of making desperate sacrifices in order to increase income.

It is tempting for Westerners to scoff at the Colombian belief that money could be magically increased. But we should take a second look at the magical thinking of industrial capitalism. We speak of money as if it could “grow” and reproduce. If we have enough money to invest in a business, as if by magic, much more money later comes back to us. But we mostly ignore how that magic is accomplished. More money comes back because the workers are creating “surplus value.” In other words, workers are creating much more value for their employers than they take away in wages. For example, suppose that Worker X makes a shirt. If the cloth for the shirt costs $2, but the shirt sells for $10, the value of the labor is $8. Now suppose that the boss of Worker X only pays her $2 and keeps a profit of $6 for himself. That $6 is surplus value, created by the worker, but absorbed by the boss (and his investors). The magic of wealth in capitalism is accomplished through taking advantage of workers. In our culture, we don’t see that as unfair. We tend to accept the damages.

Highlights from Robbins Chapter Three: The Merchant, Industrialist, and Capital Controller
(I, Bev Farb, have added information here that is not contained in Robbins in order to clarify some points that he was trying to make.)

Today, 20% of the world’s population is hungry. Meanwhile, 10% own 71% of the global wealth, a wealth that is staggering, unmatched in history. Most of this wealth is in America and Europe (Davies et al., 2007)
Why is there such a dramatic difference between the rich and poor of the world? Why do America and Europe dominate? Four reasons: 1) Global trade that was enforced militarily, 2) The Industrial Revolution, 3) International debt, and 4) Government backing of corporate power. All of these have given advantage to Europe, especially to England (only more recently to the United States).

Global Trade Enforced Militarily
In the early 1400’s, none of this was so. China was the greatest world power with the most impressive technology (including the first paper money and gun powder) and the most successful global exploration (including a visit to the Americas). A trader leaving China with goods he had purchased for trade would follow the sea route to Iran, cross land, then continue by sea to Italy. India and the Middle East were both successful trade centers with their own banking and credit systems. Most of the world’s gold came from Western Africa. Italy enhanced international trade by creating a “bill of exchange.” Any global currency could be converted into bills of exchange and then converted back again. But Northern Europe was relatively poor. It had only a few exports wanted by global traders: textiles (cloth) and grain.

Then, in the mid 1400’s, China stopped its famous sea voyages and withdrew as a leader in the global market. In part, this was due to the death of their star sea explorer, Zheng He. But the main blow was Mongol invasion from the north, and most of China’s energy and wealth was needed for defense.

In the meantime, Portugal and Spain took over as trade leaders and world explorers. Ironically, their merchant explorers (most famously, Christopher Columbus) were searching for new ways to reach China and India. Quite accidentally, they found the Americas. The Europeans drained the Americas of extraordinary amounts of gold. They devastated the indigenous peoples, not only through violence, but through bringing disease. The indigenous peoples had no immunity to European pathogens, especially the small pox virus. Between the late 1400’s and the late 1700’s, each indigenous group in turn, as it was colonized, lost a significant portion of its original population. At best, this loss was 20% (e.g., in the Hawaiian Islands), but more typically, 90%, and some indigenous populations were wiped out entirely. Further, African slavery was not a European invention, but was transformed by the export of slaves from Africa to the European colonies.

The Spanish, the Portuguese, the French, the Dutch, and the English all sent colonies to the Americas as well as to the islands, Africa, and Asia, competing to build the largest empires. Much of this competition was accomplished through “trading companies” in the 1600’s and 1700’s. Forming trading companies was the most profitable way to conduct trade in the 1700s because they were given trade privileges and military protection by the state which chartered them. Each trading company was granted a monopoly over certain goods in certain parts of the world. For example, the English crown granted the British East India Company a monopoly over spice trading with Asia. Trouble was that the Dutch had granted the same monopoly to their own Dutch East India Company. Armed conflict followed, and the English won. That, along with other victories, gave England control over India. (The same British East India Company later controlled the opium trade. One out of ten Chinese citizens became addicted to opium. When the Chinese government tried to put an end to it in the mid 1800’s, the British government sent troops to force submission.) The working class which emerged from the British economy was unlike any before it because it was mobile, segmented by various characteristics, subject to discipline and militant.

The European empires began to crumble when they had to turn their resources inward to fight Napoleon (1803 to 1815). But England (despite having lost the United States in 1776) was able to keep control of India, Canada, and some other colonies. This made England the top global power. In 1898, the United States became a player when it forcibly took over Spanish colonies (i.e., Cuba, the
Philippines, Puerto Rico, and Guam.) The United States finally gained the top place after WWI and (even more so) after WWII. Both of these wars devastated Europe, leaving the U.S. as the only unwounded industrial economy.

The Industrial Revolution
Why did the Industrial Revolution happen first in England? Because English workers were already organized for mass production. Beginning in the 1400’s, a combination of “land enclosure” and workshops set up the dynamics of capitalism (long before the technology existed to maximize its economic potential). This is important to understand because the Industrial Revolution is often blamed for creating capitalism, but the reverse seems to be true.

Land Enclosure
Let’s return to the 1400’s. In England, royalty and nobility owned some private lands, but most land was communal, open for use by the peasantry. True, peasants had to feed everyone else, but they were free to also feed themselves. They could farm and keep animals in the shared fields. They could hunt as well as gather both food and wood in the forests. But now the nobility began a practice called “enclosure.” Enclosure is the fencing off of previously communal lands for private use. The nobility discovered that enclosure could bring them significant wealth: 1) It allowed large farms that produced a surplus, 2) It allowed the raising of sheep for wool to sell to the textile makers, and 3) It allowed them to demand high rents from peasants who wanted to live on and use the land.

For peasants, this was disastrous: they could no longer survive on their own. Many peasants were left homeless. In record numbers, they fled to the cities searching for paid work. Theft became a widespread problem rather than a rare occasion. The peasants made several organized protests against enclosure, but they were violently put down by the landowners.

This ought to sound familiar to you from the discussion in the Robbins textbook Chapter Two. This tragedy is what happens today to indigenous peoples when wealthy countries swoop in to industrialize them. But remember, the practice of enclosure began long before the Industrial Revolution. In fact, enclosure is one of the conditions that allowed the Industrial Revolution to take hold in England: a desperate labor pool was already waiting.

The monarchy could see the negative effects of enclosure and passed a series of anti-enclosure laws at the end of the 1400’s and throughout the 1500’s. The laws were intended to compel nobles to give back common lands and to rebuild destroyed housing. But these were not well enforced. In the mid-1600’s, England went through three civil wars. The end result was that Parliament (controlled by noble landholders) shared power with the monarchy.

Workshops
One more time, return to the 1400’s. For thousands of years, merchants had been dependent on skilled laborers (craftspeople, artists, specialized farmers) to make the valuable goods they wanted to sell. Such skilled laborers were organized into powerful guilds. Remember that during the 1400’s, in England (and the rest of northern Europe), textiles were nearly the only trade item of significant worth. Merchants discovered a way to gain control: they bought the raw materials (e.g., wool) and the tools (e.g., spinning wheels and looms) themselves. Then they hired less skilled laborers without guild membership to make the goods. These laborers might work from their own homes or might be gathered together in workshops.

Once again, this ought to sound familiar. Here we have merchants who have invested capital (raw resources, tools, wages, and sometimes a workplace). They have become capitalist bosses exploiting vulnerable workers. But remember, this kind of industry began long before the Industrial Revolution.
In fact, this kind of system is another of the conditions that allowed the Industrial Revolution to take hold in England: laborers were already providing surplus value to bosses who controlled production.

Technological Innovations
The wealth that came from the textile industry inspired technological innovations to increase it. But these inventions did not come until the 1700’s. The “flying shuttle” of 1733 allowed the weaver to quickly pull the shuttle carrying the thread from one side of the loom to the other, rather than weaving it through by hand. The “spinning jenny” of 1770 was a spinning wheel with multiple spools, allowing a single worker to make several threads at once. The steam engine was finally applied to the work in 1790 and created the textile “factory.” This officially ushered in the Industrial Revolution.

Note: The inventors of the flying shuttle (John Kay, a manager of his father’s wool mill) and the spinning jenny (James Hargreaves, a weaver who won an invention contest) both had their homes destroyed by angry textile workers. The workers feared that the new technology would rob them of their jobs.

How did England keep its advantage?
Between the mid-1700’s and mid-1800’s, English Parliament passed laws that encouraged (even enforced) land enclosure. They also passed laws favoring management over labor. Like the new technology, this government action enlarged capitalism, maximizing and spreading its power. Remember that during the 1800’s, England emerged from the fight against Napoleon as the only surviving European empire. Besides the wealth it gained from its colonies, it had an early start on industrial production. England was able to finance new transportation (e.g., railroads) and energy production.

There was a global market crash from 1873 to 1895. It was an economic Depression that had the same causes as future ones: over-inflated real estate, irresponsible banking, and failing industries. The solution? Expand the economy by expanding the market by continuing imperialism, expanding into and colonizing previously untouched areas of the world. In 1885, European powers met to carve up Africa into economic zones. Defending these arrangements became the main contest in WWI.

International Debt
In 1944, Franklin D. Roosevelt drew forty-four nations together to form the World Bank. The idea was to lend money for the reconstruction of war-torn Europe. But most of the loans were given, instead, to peripheral countries in an attempt to “modernize” them. For example, roads and water works were built for Brazil. That sounds nice, but here’s the problem: The amount of money loaned was so high that Brazil (like other recipients) could not pay back the loans. In fact, since loans must be repaid with interest, it means that poor nations end up sending more money to rich nations than the reverse. Big projects like roads and water works also require long term maintenance, a continued expense.

In order to manage these huge debts, there’s another institution called the IMF (International Monetary Fund) that can restructure payments owed to the World Bank. But it will only help if the receiving nations are willing to make financial policy changes. For example, the IMF typically wants such nations to find more money by spending less on social programs (like education and healthcare). Obviously, this harms the citizens of indebted countries. Another way to make more money is to increase exports, so the IMF typically demands greater extraction of natural resources (to the detriment of the environment) and lowered costs of exported goods (to the detriment of local businesses).

Although the World Bank and IMF were designed to pull nations out of poverty, the actual effect of their efforts is to trap nations in impossible debt. This is an important contributor to global inequality and the continued dominance of America and Europe.
Here’s an unexpected twist: The United States is also in great international debt. But it doesn’t suffer as other indebted nations because the U.S. dollar is currently the global currency of choice. This buffers the U.S. from the consequences of debt (as if you could write a check that will never be cashed because it just keeps circulating). So the IMF doesn’t bother the U.S.

**Government Backing of Corporate Power**

Colonialism and conflict weakened the European colonial powers and after WWI, the United States emerged as the leading economic power in which new types of factory organizations, the corporations, developed. Corporations, initially formed to limit the liability of the capitalist, drew the suspicion of some economists because of the vast power they had and their ability to manipulate the markets.

In 1948, the same nations that formed the World Bank also formed the GATT (General Agreement on Trade and Tariffs). It was an agreement to maximize international trade. This arrangement benefits international corporations, but it disadvantages local businesses. For example, a local shoe company is not likely to survive the arrival of Nike. One way to protect local businesses is to put high tariffs on imported goods so that local goods remain cheapest. But, according to this free trade agreement, that kind of local protection is not allowed.

In 1995, the GATT became the WTO (World Trade Organization), causing massive protests. The WTO had something new and frightening: the power to enforce its judgments on member nations. For example, in 1998, the European Union decided that it didn’t want to import U.S. beef because of the growth hormones used (which may cause cancer). But the U.S. complained to the WTO that Europe was trying to restrict trade. The WTO ruled in favor of the U.S. and compelled Europe to accept U.S. beef shipments. (That doesn’t mean anyone had to buy it, but it had to at least be allowed across the border.) If any nation dares to disobey a WTO mandate, that nation will be singled out for punitive trade restrictions.

Free trade also encourages industries to locate across national borders. Governments are eager to host international corporations, and they know that corporations are attracted to cheap labor and lax environmental regulations. So governments often refuse to stand up to corporations to protect workers or the environment. This allows abuses (such as chronic exposure of workers to hazards, or the cutting of rain forests, etc.)

*The WTO reinforces the already enormous power of corporations. Why have governments organized to support big business this way? It’s the same logic that in the 1600’s gave military power to trading companies: Maximum wealth equals maximum good. One problem: it isn’t true. Maximum wealth is only enjoyed by a fraction of the global population. That wealth is gained at the expense of ordinary people and of the globe itself.*

One more note: In 1886, in the U.S., the Supreme Court ruled that corporations deserve the same rights and protections as individuals have (e.g. the right to free speech). This is why corporations are allowed to make political donations and to use the public media to spread messages. It’s no wonder that the general public has come to accept the culture of capitalism.

**References:**

Highlights from Robbins Chapter 4: The Nation-State in the Culture of Capitalism

Capitalism could not survive without the support of nation-states. Nation-states protect private property both abroad and at home, maintain trade routes and transportation, create and control currency, and help to control workers.

Immanuel Wallerstein suggests that the nation-state be the major building block of the global economy. According to Immanuel Wallerstein's theory of global capitalism, the "core" of the world economy were the high-income nations (those who were the colonizers)
- The periphery were the low-income nations (those who were the colonies)
- He felt that the following factors made the periphery dependent on the core:
  - The periphery was based on a narrow, export-oriented economies
  - The periphery has a lack of industrial capacity
  - The periphery was based on foreign debt
- This means that inter-national agreements, at least between the dominant colonizers, became a necessity

How does this arrangement contribute to today's global problems? Many people find the following statement hard to believe, and yet it can be clearly demonstrated: Nation-states commit most of the violence in the world, and often that violence is done in order to protect economic interests. This is easier to understand with a bit of historical context:

How States Began
In a "state," a ruling elite controls military and police. The state has a monopoly on force: only the state may commit legal violence while all other violence is prohibited.

Many theories of the reasons for the development of states suggest that they were formed to maintain social order and allow social growth and development. Once upon a time, tribal and village communities enjoyed relative equality. Leaders were not far removed from followers and shared power with them. Why was this kind of social organization replaced by “states”? No one is sure, but here are the two main theories:

1) Where water supplies were inconsistent (e.g., Egypt), irrigation and water storage systems allowed survival. But such water systems required expertise and organization, and that created inequality between those who owned and managed and those who did not. Those on top began to protect and expand their privilege with military and police forces. The same kind of water situation would also help explain the rise of states in ancient India and China. (Note from anthropologist Cynthia Clarke: It doesn't always happen this way. In the highlands of Papua New Guinea, the indigenous people used irrigation for at least 8,000 years without increasing social stratification.)

2) Or, maybe: The threat of war compelled tribes and villages to organize and create militaries. Villages warring with villages eventually created chiefdoms. Chiefdoms warring with chiefdoms eventually created states. States warring with states eventually created even larger political arrangements.

By the 1400’s, Europe, Asia, and the Americas were all organized into states and empires.

How Nations Began
States are much older than nations. A “nation” is a political identity with a shared culture, language, and currency (often a shared religion and race/ethnicity). For example, consider Europe in the 1700’s.
The French state was not truly a nation. The French crown controlled the areas of Bretagne, Picardie, Provence, Languedoc, etc. But most of its subjects did not think of themselves as French. At least a quarter of them didn’t even speak French. State officials in France sought to eliminate what was conceived of as an ideological threat to the state and began the transition to the nation-state by eliminating linguistic and cultural diversity.

It was the same with England/Ireland/Scotland/Wales. These were under one crown but were divided in identity, language and culture. “Germany” and “Italy” did not yet exist. (Historical accounts sometimes speak of Germany much earlier, but that’s convenient. The Germanic tribes were not really organized into a nation until much later.)

How did states transform into nations?

Some give the credit (or blame) to war and religion. But if either of these had been enough, the transformation from state to nation would have happened long before. For example, the conflict between Protestant England and Catholic France is centuries old. (The English state went Protestant in the 1500’s and France was Catholic since before the fall of the Roman Empire.)

*What really created national identity was public education.* Public education is the most effective tool for creating a common language. Likewise, cultural meanings, expectations, and practices can all be taught in school. In democratic states, citizens cannot be forced to attend a single church, but they can be forced to attend school with a single curriculum. For example, in France, there had long been independent, private schools for the wealthy. But in the 1880’s, the state began to subsidize education, and every hamlet with 20 or more children was required to have a school with a state-approved lesson plan. Few of the private schools had taught children about the map of France, but all of the public schools now did so. Creating a national identity became a main objective of education, and other learning (such as reading) became a means to that end. This pattern was repeated throughout Europe and in the United States.

Note about newspapers: Newspapers began to be printed in the 1600’s (although newsletters and pamphlets are older). In the late 1800’s, when public education made most people literate, newspapers gained a new power to spread ideas, values, and practices. This gave the dominant culture an even stronger voice.

Two other changes during the 1800’s helped transform states into nations:

1) The building of railroads. Fast transportation enormously increased contact between strangers. Like newspapers, they spread the dominant culture.

2) The replacement of local celebrations with national holidays. Traditional customs might still be kept privately, but public celebrations now strengthened national rather than local identity.

Public education, besides serving nation-states, also directly serves capitalist industry. Productive workers must be mobile, able and willing to follow jobs around. They must also be trained by industry specialists (local community members would not have the expertise). Both mobility and training require workers to communicate well with strangers. Beyond that, workers must be able to read instructions and contracts. All of this demands a workforce that is educated in a common language.

**The Violence of Nation-States**

So…education provides nation-states with loyal citizens and industries with able workers. That doesn’t sound so bad. True, this lends them significant control over individual thought and activity,
but at least it’s peaceful. Here’s the problem: Peaceful strategies are only enough when there’s no resistance. Resistance is met with violence.

Remember that in Chapter Three, Robbins reviewed the violence of European states as they built their empires (including the U.S. slaughter of Indians.) But nation states also murder and torture their own citizens. The numbers are astonishing, and all as punishment for not conforming to the government agenda. Sometimes this nonconformity was political, but sometimes it was simply being born into the “wrong” ethnicity. For example, Mexico killed 1.5 million of its own between 1900 and 1920. The Ottoman Empire killed 1.5 million of its own between 1915 and 1923. Russia killed 61 million of its own between 1917 and 1987. Germany killed 20 million of its own between 1933 and 1945. The Chinese government killed 35 million of its own between 1923 to 1949, and another 10 million were killed by Chinese nationalists. Cambodia killed 2 million of its own between 1975 and 1979.

Clearly, dictatorships are deadly, but democracies also kill. Democratic nation-states are motivated to deny their violence, so this is most often accomplished through deception, secrecy, and allowing others to do the dirty work. One example of “allowing dirty work” is found in the history of American lynchings. Between 1882 and 1968, lynch mobs killed 4,743 Americans, 3,446 of them black. Mob participants were never prosecuted by the state. In fact, the perpetrators were so unafraid that many of them had pictures taken with their victims and made postcards. (For examples, see www.withoutsanctuary.org/)

Much of the violence done by democratic governments is through supporting repressive regimes elsewhere by either training officers or offering direct military aid. Most of that military support is not used to protect against invasion from the outside – it is used to suppress political dissent from the inside.

Consider U.S. involvement in the Middle East:

1) (1950’s) When Egypt took over the Suez Canal, blocking Israeli passage, Great Britain and France rushed to Israel’s side. But the U.S. pressured its allies to back down. In return, the U.S. was able to keep access to its oil wells in Saudi Arabia. This event contributed to further conflict between Israel and Arab nations.

2) (1950’s) When the democratically elected president of Iran, Mohammed Mossadeq, nationalized a British oil company, the U.S. helped Great Britain overthrow him. In his place, they set up a dictator, Shah Mohammed Reza Pahlavi. U.S. involvement was hidden, accomplished through the CIA, but it gained the U.S. a 40% share in Iranian oil. In the 1970’s, the repressive Shah inspired a revolution which brought the Ayatollah Khomeini, an Islamic fundamentalist, to power. The U.S. lost its access to Iranian oil and gained a long-term enemy.

3) (1960’s) When Iraq’s leader, General Abdel-Karim Kassem legalized a communist party and began to redistribute land, the U.S. used the CIA to help overthrow him. In his place, they set up dictator, Saddam Hussein, who gave the U.S. access to oil. In the 1980’s, when Saddam invaded Iran, the U.S. sent arms and intelligence to help him. The fighting ended in a stalemate after 1.5 million deaths.

4) (1990’s) Saddam invaded Kuwait. With Operation Desert Storm, the U.S. ran Saddam out of Kuwait and led the United Nations in applying severe economic sanctions against Iraq. The sanctions cut off essential supplies such as medicines. It is difficult to calculate how many deaths can be attributed to this.
5) (2003) The U.S. invaded Iraq, justifying the action by claiming a) that Iraq possessed weapons of mass destruction that threatened world safety and b) that Iraq was a main supporter of the 2001 terrorist attacks against the U.S. Neither of these claims turned out to be true. The U.S. successfully took down Saddam, but had trouble keeping control as rebel groups began fighting. The U.S. pressured the new leaders of Iraq to keep the country open to Western business through provisions in the new Constitution. For example, the state-owned businesses were privatized and handed over to foreign investors. The foreign owners were not required to hire local workers and were allowed to siphon all profits out of the country. Corporate taxes (that would have helped the new Iraqi government function) were lowered, and trade restrictions (that would have protected local businesses) were abolished. Ironically, in 2007, the U.S. pushed for the re-opening of state-owned businesses because of high unemployment and the possibility of U.S. defeat.

How are citizens in democracies convinced to approve of their governments' violence? Through the “manufacture of consent,” otherwise known as “spin.” The media is usually helpful to the government and usually does not challenge the government’s version of reality until after a war is over. The false claims used to justify the invasion of Iraq are only one example. For example, President Lyndon Johnson gained Congressional approval for the Vietnam War in 1964 by making false claims. He said that the North Vietnamese had attacked a U.S. warship that was innocently making a “routine” patrol. Actually, the ship was on an intelligence mission, gathering information to use against North Vietnam. Reports of a second attack were entirely made up. But the media was feeding the American public the government line. The New York Times told Americans that the President had presented “the somber facts.” The Los Angeles Times explained that the North Vietnamese were to blame because they “have escalated the hostilities.” Similar false reports, also accepted and passed on by the media, were made to justify the U.S. take-over of Spanish colonies (e.g. the Philippines) in the late 1800’s and to justify U.S. entry into WWI in the early 1900’s. The U.S. is not alone in behaving this way. It is typical for governments to claim moral and safety concerns as reasons to go to war while denying the economic benefits.

Between 1975 and 1979, the Khmer Rouge in Cambodia engaged in one of the worst cases of state killing. In part, this was enabled by the withdraw of American troops from Vietnam and by the ‘secret' bombing missions in Cambodia . The Khmer Rouge killed 2 of its 7 million people.

The violence of nation-states is often motivated by economic pressure. For example, Western economies are truly dependent on oil. The oil must be constantly accessible and also cheap enough to keep industrial agriculture and other businesses afloat. Governments must compete, not only with each other, but also with corporations for control over world resources. (See Table 4.2 on page 134. It shows the top financial powers in the world...some are nation states, and others are corporations.) Remember from our previous discussion that the other main motive for nation state violence is to enforce conformity. Richards argues that these two motives merge in Western democracies since the conformity wanted is to the capitalist system.

One further note: Governments are not alone in using spin for economic gain. For example, in the 1940’s, the U.S. government was considering nationalizing health care. But the American Medical Association prevented it by appealing to fears about communism. The National Wetlands Coalition uses its name and its logo (a duck flying over a swamp) to hide its true purpose. This organization is actually working to reduce restrictions on wetlands so that real estate developers and oil companies can use it.