

## SHORT BIOGRAPHY FOR WADI'H HALABI

### Contact Information

**Address:** Center for Marxist Education

550 Massachusetts Ave.

Cambridge, Mass. 02138 USA

**Telephone:** (+1) 617-876-0960 (office)

**Fax:** (+1) 617-491-8712

**Mobile:** (+1)617-388-5737

**Email Address:** [wah@mymailstation.com](mailto:wah@mymailstation.com)

Wadi'h Halabi, born 1946, serves on the Economics Commission of the Communist Party USA, and also teaches political economy at the Center for Marxist Education in Cambridge, Massachusetts.

Since 1917 and to this day, a single world economy has contained two social systems -- capitalism and the system created by socialist revolutions. The two systems are regulated internally by different laws; capitalism is distinctly cyclical and crisis-prone, while economies created by socialist revolution, including those of China and four other states today, are distinctly non-cyclical. But the two systems are not in separate worlds; they interact, conflict and compete within the arena of a single world economy (and a single world society).

Within this framework of a single world (political) economy, Halabi's work has examined phenomena that superficially appear to contradict or challenge Marxism, such as the collapse of the Soviet Union while U.S. G.D.P. maintained exceptional relative stability. He has also studied the material basis for revolutionary optimism.

Halabi's work has been published in "Nature, Society and Thought," Political Affairs, the People's Weekly World and other journals. His work has been translated and published internationally, including in China, India, Brazil, Germany, former

Soviet republics and elsewhere. He has also been active in union organizing, prisoner defense and international solidarity work in the USA.

## **WTO, NAFTA, AND US-LED “GLOBALIZATION”**

### **EFFORTS:**

### **MOTIVES, AIMS, AND AN UNEXPECTED RESULT**

**Wadi’h Halabi**

Since 1990-91, the US has championed several international economic agreements and organizations, supposedly to facilitate “globalization” and “free trade.” These have included 1993’s “North American Free Trade Agreement” (NAFTA), encompassing the US, Mexico and Canada; the “World Trade Organization” (WTO), created in 1995 and encompassing 104 countries accounting for over 80% of international trade; and others. These agreements came into force after the collapse of the Soviet Union and nine other states created by socialist revolutions.

What is behind these US-led “globalization” initiatives? What is Wall Street seeking from them? And what impact have they had?

A single world economy is the necessary starting point for a Marxist analysis. One world economy simply means that significant developments in one region inevitably impact the rest of the world, regardless of physical or political barriers. There has been one world economy for over 500 years, since the rise of reasonably rapid and reliable transoceanic transport. The development of the transcontinental railroad and the telegraph in the second half of the 19<sup>th</sup> century completed the formation of a single world economy. The telegraph could communicate key information worldwide almost as rapidly as the Internet today; it indeed may have been less wasteful -- there is such a thing as too much information.

By far the most important developments in the world economy in the past 100 years – and indeed in the history of humanity -- were the Russian, Chinese and other socialist revolutions. Among other things, these revolutions created distinctly non-cyclical economies, organized in fundamentally different ways from capitalism, serving different interests. Capitalist economies, by contrast, are distinctly cyclical;

production for profit is regulated, independently of the capitalist class's wishes, by the boom-bust laws of commodity production and exchange, as elucidated by Marx.

The two socio-economic systems do not exist in separate worlds; they affect each other, they interact, they conflict within the confines of a single world economy (and now, a single world society). The non-cyclical economies created by socialist revolutions have brought some (welcome) stability to the world economy; capitalism's deepening contradictions destabilize it.

In 1973, world capitalism's contradictions took a measurable turn for the worse; its problems with "overproduction" and "overcapacity" (imbalances between production and demand) rose significantly; oil prices jumped; financial speculation took off; unions were attacked, wages fell, global unemployment increased. And capitalism stepped up its comprehensive challenge of the Soviet Union and allied states -- economic, political, military, ideological and cultural.

In the 1980s, capitalism's worldwide contradictions took a further turn for the worse, even as US GDP became increasingly stable. Problems with "overproduction" climbed again; global unemployment mounted; and capitalism further escalated its all-round challenges of trade unions – and the Soviet Union.

The working class has made advances in previous crises of the old system. Thus, the capitalist crisis of 1907 and the ensuing World War opened the path, however painfully, to the Russian Revolution! The crisis of 1929 and the second World War opened the door for the Chinese and other Revolutions!

In the 1980s, workers – meaning their Parties, states, unions and other organizations worldwide -- were not sufficiently prepared, both politically and organizationally, for the growing challenges stemming from capitalism's deepening contradictions; the Soviet Union and several allied states (and many trade unions) collapsed.

The fall of the USSR had contradictory effects. It temporarily strengthened world capitalism's political hand, above all the USA's. But the USSR and allies had helped stabilize the global economy through their purchases (imports) from capitalist countries -- they had been steady and growing purchasers of machine tools from

western Germany, complete factories from Japan, agricultural products from Turkey, etc., through booms and busts. It is no surprise, then, that of the ten most severe capitalist crises since the 1930s, all ten have occurred after the Soviet collapse – in Mexico, Thailand, Indonesia, Brazil, Argentina, Turkey, etc. (US GDP, however, has become increasingly stable.)

### **CAPITALISM'S CENTRAL CONTRADICTION**

As Marx explained, capitalism's central contradiction is between the growth of the productive forces and capitalist forms, which are too narrow for those growing forces. Capitalism is squeezed at both ends of this contradiction: technology is advancing, however slowly, while capitalist forms are narrowing. The best-known of capitalist forms is private ownership of the means of production; ownership today is more monopolized than ever.

In 2004, the "Fortune Global 500," the world's largest capitalist monopolies, accounted for a record 40%+ of the world's production of goods and services, while employing just 1% of the world's working-age population that year (calculated from data in "Fortune" magazine, July 25, 2005). The meticulous work of CPUSA political economist Victor Perlo, and the US Federal Reserve Bank's "Surveys of Consumer Finance," point to tremendous concentration of US capital ownership in the hands of a few families.

Private ownership is not the only capitalist form contributing to its contradictions. National borders, for example, form more significant economic barriers than is sometimes realized. These barriers are growing. The number of borders in the world has grown significantly since the fall of the USSR and Yugoslavia, and the formation of some twenty new countries. A recent study by the World Bank documented the enormous economic and time costs of borders among former Soviet republics. (World Bank, "From Disintegration to Reintegration: Eastern Europe and the Former Soviet Union in International Trade;" reported in the *Economist*, 4 February 2006.)

The border between the US and Canada was historically the freest among all capitalist countries. Yet one analysis found that the Canadian province of British Columbia "traded" 1200% more with the Canadian province of Quebec than with the

state of New York, even though Quebec and New York are about equidistant from British Columbia, and even though New York has a much larger population and economy. And that was in 1996, before the US increased border barriers following Sept.11, 2001. “If even the relatively innocuous border between the US and Canada is such a strong impediment to trade,” the analysis concluded, “the world is far from borderless.” (Federal Reserve Bank of St.Louis, *International Economic Trends*, August 1999.)

A modern economy requires production and exchange of millions of different components, and the capacity to deal with constant innovation and change. Great centralization, planning and coordination are necessary to efficiently manage a changing modern economy; but this is possible only with corresponding bottom-up control, profound interest and control by increasingly-educated workers in the success of the over-all effort; it also demands social solidarity for workers as innovations constantly uproot the old.

But capitalism by definition is a top-down system only, becoming more so as monopolization advances. In its constant efforts to reduce costs, capital throws workers out of their jobs instead of investing in reeducation, and supporting workers developing new job skills. The outcome is a workforce without control or interest in the system as a whole, and a system increasingly incapable of efficiently managing innovation.

The terrible “proof of this pudding” can be found in an extraordinary statistic gathered by a bourgeois economic historian, Angus Maddison: income per person declined 0.8% per year in 144 countries between 1973 and 1995 (*Wall Street Journal*, 11 January 1999; the methodology, but not the income statistic, can be found in his 2002 book, “The World Economy – A Millennial History,” published by the OECD). Maddison’s methodology, and the limitations of his analysis, indicate that he underestimates the income decline. Nevertheless, capitalism’s central contradiction can be stated as “Plus One Equals Minus One:” a roughly one percent yearly increase in labor productivity caused a roughly one percent yearly decrease in income per person in more than 100 capitalist countries over 20-plus years! And world capitalism

had not suffered a general crisis in this period.

### **WALL STREET'S "GLOBALIZATION" GOALS**

This then was the scenario for Wall Street's "globalization" drive of the 1990s: its political hand has been temporarily strengthened by the USSR's collapse; but its system's contradictions were deepening. Unused manufacturing capacity in Japan, for example, jumped 20% between 1990 and 1995, while the bad debts held by Japan's largest banks exploded from \$50 billion to \$1,300 billion in that same period, according to calculations by Merrill Lynch.

In fact, based on figures from individual countries, it appears that nearly one-quarter of world capitalism's industrial capacity was idled or destroyed between 1990 and 2000, mainly in the former CMEA states now under capitalist rule, but also as a result of declines in capacity use in Japan and the European Union, and through wars in Iraq, Yugoslavia and elsewhere.

What then were Wall Street's "globalization" goals? What was it seeking with NAFTA, WTO and similar initiatives? Broadly speaking, these initiatives are attempts to protect US capitalism's interests and overcome its system's growing contradictions, including those caused by national borders, through efforts at cheapening and weakening labor, and plundering weaker parties.

Capitalist "globalization" has not actually resulted in production becoming more global; in fact, world capitalism's production became increasingly concentrated in the USA and North America in the 1990s, with industrial production in the US increasing nearly 50% while, as mentioned earlier, nearly a quarter of industrial capacity in the rest of the capitalist world was idled or destroyed in the same period. Industrial production in Britain, for example, has dropped sharply in the last two decades.

Ernest Hollings, then the chairman of the Senate Commerce Committee, defined "globalization" as "protecting the US industrial base, that's what globalization is all about." (*Business Week*, 16 July 2001); the US share of world industrial production rose from about 23% in 1990 to about 28% in 2000. Only China's extraordinary growth, and the tremendous increase in its purchases from the rest of the capitalist world, has altered this development since 2000.

It can also be demonstrated that NAFTA, WTO and similar initiatives are not really about promoting trade, as Wall Street claims. If they were, for example, these “trade treaties” would place prohibitions on speculation in currencies and in food and other commodities; such speculation can devastate trade overnight, as demonstrated in the crisis that suddenly hit Thailand on July 2, 1997, a crisis which was immediately caused by Wall Street-fueled speculation in Thailand’s currency. But NAFTA and WTO actually promote speculation through measures aimed at facilitating international movement of capital.

Unequal exchange can also devastate trade. In unequal exchange, stronger capitalists sell their commodities above their value, or purchase commodities from weaker producers below value. Prolonged unequal exchange with imperialism plundered mineral-rich Congo (Zaire), resulting in its economy’s collapse in 1992. Unequal exchange can be relatively easily measured. Yet, neither NAFTA nor WTO take any measures to end unequal exchange; in fact, measures in those treaties protecting imperialist “intellectual property rights” effectively promote unequal exchange.

What then is imperialism seeking with NAFTA and WTO? WTO agreements alone extend to well over 20,000 pages, and NAFTA to thousands more. Clearly they are complex and far-reaching. But here, anyway, is an attempt at defining Wall Street’s aims:

*Under conditions of deepening contradictions that are beyond capitalism’s powers to stop, capitalist globalization represents one attempt by the strongest capitalists – meaning above all US monopoly families – to protect their interests by implementing inter-related mechanisms: 1) First and foremost, to facilitate the cheapening of labor internationally, above all by facilitating competition between workers worldwide by easing international capital movement; 2) to ensure debt repayment; 3) to facilitate unequal exchange, not least through assertion of imperialist “intellectual property rights;” 4) to extend their ability to limit “overproduction;” here too, “intellectual property rights” can play a role by denying access to technology without which certain commodities cannot be economically produced; 5) to break*

down remaining barriers to Wall Street's international speculation and price manipulation on everything from oil to currency exchange rates; 6) to effectively perpetuate the imperialist countries' import tariffs and quotas and export subsidies which have been so devastating to poor countries' agriculture and industries; 7) to use these treaties to bypass dwindling democratic rights in capitalist countries; the US's extraordinary secrecy in negotiating these "treaties" is itself profoundly anti-democratic; 8) to force privatization of state-owned industries and services, i.e. the private appropriation of publicly-funded enterprises; and 8) to extend the US capacity to wage war, not least by "protecting its industrial base," and weakening potential challengers, including possible capitalist challengers, but especially the working class and its states, above all today China. There are surely additional, probably major features in NAFTA, WTO and similar "free trade" treaties' tens of thousands of pages.

#### **WHAT OF CHINA JOINING THE WTO?**

But what about China or Vietnam seeking to join the WTO? China and Vietnam, like the Soviet Union, are states created by socialist revolution. These too represent some of the great advances in human history. They too have fundamentally non-cyclical economy. They too are helping stabilize the world economy as a whole. But they too are operating in a world still dominated by capitalism.

There is considerable evidence that China's growth (and now also growth in Vietnam) are the only real source of any stability and growth in the world economy. In particular, their growing purchases from capitalist countries have prevented the capitalist world from falling into all-out crises of "overproduction" (crises of disproportionality).

States excluded from the WTO face discrimination and punitive treatments. So China, Cuba and Vietnam have had little choice but to seek WTO membership. (Vietnam's application to the WTO is still pending.) Wall Street made outrageous demands before allowing China to join the WTO. China was not in a good position to withstand those demands, the Soviet Union having collapsed and the US apparently stable and even booming. Even after gaining WTO membership, China still faces

discriminatory treatment as a “non-market economy;” and special measures have been taken by the US and the EU against China on everything from bicycles and garments.

But better for China to compete and struggle on the world arena than to attempt national self-sufficiency, which carries huge economic, political and social costs, and which in any event is not possible in a single world economy (and world society).

#### **AN UNEXPECTED DEVELOPMENT:**

#### **RISE OF SUPERIOR PRODUCTIVITY OF LABOR IN CHINA**

China has competed and struggled. And sometime in the past few years, the productivity of labor in China (socially-necessary labor time) appears to have surpassed that in any capitalist country, rich or poor, in a wide range of manufactured goods. This is a historic development, although it does not (yet) apply in coal or steel and other primary industries, in rail, and especially not in the all-important agricultural sector.

But China appears to have achieved superior labor productivity for manufactured goods ranging from garments to sophisticated electronics. This is not because labor costs are low in China; they are significantly lower in India, Indonesia and many other capitalist countries. Rather, the superior productivity has been achieved because of a superior educational system; planning that has achieved a superior infrastructure in many large manufacturing areas, including reliable electric power; easy availability of necessary inputs; outstanding roads, ports and airports; and, often neglected, the capacity to generate domestic demand for many of those manufactured goods, demand that the Indonesias of the capitalist world cannot generate.

This is a positive and historic development. It is also contradictory, most importantly because China’s productivity in agriculture and in the primary sector is still lower than in imperialist countries; but also because it sometimes superficially appears that it is private enterprises are achieving this higher productivity, when in reality the productivity is possible only because of the social system created by socialist revolution, with the consequent superior education, planning and infrastructure, and redistribution of surplus that makes sustained domestic demand possible.

## CONCLUSION

To summarize: Under conditions of deepening capitalist contradictions, US-led “globalization” represents efforts by the strongest capitalists to protect their interests, facilitate weakening and cheapening of labor through increased competition among workers worldwide, facilitate speculation and unequal exchange, push off their problems onto weaker capitalists and countries, suck profits from and plunder them, and limit “overproduction” and “overcapacity.”

China made extraordinary concessions to reduce capitalist discrimination against it. Thanks to the superior social system created by its socialist revolution, China appears to have recently achieved higher productivity of labor in a wide range of manufactured goods (and higher growth rates) than any capitalist country.

China still faces an unstable world economy that remains mostly capitalist, with deepening contradictions. Marxism alone can scientifically assess the world economy as a whole; the complex economic, political and social implications of China’s development; and the global class struggle.

Marxism alone can properly assess Wall Street’s interests in the WTO and other “free trade” initiatives. Marxism is necessary to expose capitalism’s reactionary “globalization” and promotion of competition among the workers of the world. Marxism is necessary to point the way forward to socialist globalization, and the equal, peaceful and prosperous organization of labor worldwide.

Marxists therefore welcome the conference in Shanghai, “Economic Globalization and Modern Marxist Economics,” and the forming of the International Association for Political Economy.