Advanced Imperialism: A Phase of Capitalism

A Marxist perspective

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*On April 26, 1917, V.I. Lenin published a major piece on imperialism titled "**Imperialism – Highest Stage of Capitalism**". Lenin was able to draw from J.A. Hobson, **Imperialism**, and Rudolf Hilferding, **Finance Capital**. Lenin conducted extensive research on imperialism from wide array of writers, but he was very critical of many writers including Hobson and Hilferding. Lenin's work on imperialism remained a premier until Harry Magdoff published **The Age of Imperialism** in 1969 and Kwame Nkrumah, **Neo-Colonialism-The Last Stage of Imperialism,** in 1965.*

Since 1990, the world has changed and considerably more so since the inter-imperialists rivalry of the classical imperialism period of 1870-1945. There have been changes in the development of capitalism, finance, resource control and international investments. Along with the changes in capitalism there have been a series of world wide financial and economic crises. In other words, we are in the period of advanced imperialism. It is not fundamentally ideological, military, or social but principally socio-economic – a new phase of capitalism.

In what follows is the examination of the development of capitalism from competitive capitalism to international oligopoly- advanced capitalism. Also, capitalist development is not limited to the concentration of international production but also to the development of finance domination – finanancialization of capital. The international oligopoly and finance domination are forging new imperialist centers that are slowing re-dividing the world by a new map making machine – Foreign Direct Investment. Proxy wars and American form of colonialism will attempt to conceal international struggle of advanced imperialism today. However, advanced imperialism will expose its naked actions in one form or another and no neo-imperialism apologist can hide its cloths. .

Advanced Capitalism

Modern capitalism or super-capitalism (as coined by a liberal economist Robert Reich) is a phase of capitalism. The history of modern capitalism can be described as follows: 1) 1860-70, the apex of development of free competition; 1870-1945, the period of monopoly capitalism, cartels, trusts, syndicates and finance capital; 2) 1945-1973, the US dominated oligopoly capitalism, multi-divisional corporations; and 3) the 1973-75 crisis and the boom of the 1990's cultivated the massive growth of giant multi-national corporations. By 1870, it was clear that capitalism had developed from a competitive capitalism to monopoly capitalism. Capitalism development is not only internal but is express internationally in the form of imperialism. Lenin said,

“that capitalism has been transformed into imperialism;” [1]

Prior to 1920, the management of large enterprises was centralized in a few hands (called Tycoons) that managed production, secure raw resources for the industry, and marketed a few products. Giant enterprises were managed by Tycoons with small staffs. Andrew Carnegie ran the Pennsylvania Railroad and Carnegie Steel; John D. Rockefeller ran Standard Oil Company (whose descendant is ExxonMobil) and Henry Ford ran Ford Motors. Very few giant enterprises were corporate in structure; that gave the ability to have internal financing; and multi-divisional in operation As Michael Reich noted,

“Of the Fortune 500 largest corporation in 1994, more than half were founded between 1880 and 1930.” [2]

The events of the two world wars and the success of the Bolsheviks revolution ended the phase of monopoly capitalism and transformed capitalism into US dominated oligopoly capitalism-the rise of giant corporations. Marxist’s economists Baran and Sweezy noted,

“Under capitalism the highest form of success is business success, and under monopoly capitalism the highest form of business is big corporation.”[3]

The characteristic features of a giant corporation as defined by Baran and Sweezy is: 1) control rest in the hands of management (ie Board of Directors and Chief Executive Officers), 2) management is self-perpetuating, and 3) each corporation normally achieves financial independence through the internal generation of funds which remain at the disposal of management.

“The replacement of the individual capitalist by the corporate capitalist constitutes an institutionalization of the capitalist function. The heart and core of the capitalist function is accumulation: accumulation has always been the prime mover of the system, the locus of its conflicts, the source of both its triumphs and disasters.”[4] Baran and Sweezy made clear.

Along with the rise of giant corporations was the change in administrating giant corporations and the development of a multi-divisional structure. During the monopoly period, centralization of management was the norm and a few men were entrusted with very complex decision making. Stephan Hymer, a Marxist economist, said,

“Thus, product development and marketing replaced production as a dominant problem of business enterprise. To meet the challenges of a constantly changing market, business enterprise evolved the multidivisional structure. The new form was originated by General Motors and DuPont shortly after World War I, followed by few others during the 1920s and 1930s, and was widely adopted by most of the giant U.S. corporations in the great boom following World War II. As with the previous stages, evolution involved a process of both differentiation and integration. Corporations were decentralized into several divisions, each concerned with one product line and organized with its own head office. At a higher level, a general office was created to coordinate the divisions and to plan for the enterprise as a whole.”[5]

The diversification movement in the 1960, multi-product lines, complex internal financing and the need to plan the market are basic features of multi-divisional corporations. As

Stephan Hymer indicated,

“The new corporation formed has great flexibility. Because of its decentralized structure, a multidivisional corporation can enter a new market by adding a new division while leaving the old divisions undisturbed. (And to a lesser extent it can leave the market by dropping a division without disturbing the rest of its structure.) It can also create competing product-lines in the same industry, thus increasing its market share while maintaining the illusion of competition. Most important of all, because it has a cortex specializing in strategy, it can plan on a much wider scale than before and allocate capital with more precision.” [6]

From 1945-1961, the increase in mergers and internal growth forged a greater concentration of production – US dominated corporations.

“It is fair to assume that the greatest increases in manufacturing concentration have come in the three periods of greatest mergering. But increased concentration can also come from internal growth either through the reinvestment of earnings or from the sale of new securities, provided, of course, that growth from these sources is more rapid for larger companies than for smaller companies.”[7], as noted liberal economist Gadiner Means.

Means also reported that by 1969,

“The top 10 firms account for fully one-seventh of total industrial sales and almost one-quarter of total industrial after-tax profits. The top 100 firms account for more than 40 percent of total sales and almost 60 percent of total.”[8]

During the period US dominant oligopoly capitalism, giant multi-divisional corporation practiced priced leadership, sabotage of production, and all without entering into trusts, syndicates, or associations. Michael Reich, another liberal economist, says it well that,

” Besides, the largest companies had grown so vast that prices could be maintained and output controlled by the simple expedient of collusion among the two or three biggest ones in each industry (or, to use the more technical and less alarming language of economics, ‘oligopolistic coordination’). Steel was controlled by three giants – United States Steel, Republic, and Bethlehem; the electrical equipment and appliance industry by two – General Electric and Westinghouse. In basic chemicals, there were three – DuPont, Union Carbide, and Allied Chemical. In food processing, three dominated – General Goods, Quaker Oaks, and General Mills. In tobacco, three – R.J. Reynolds, Ligget & Myers, and American Tobacco; in jet engines, two – General Electric and Pratt & Whitney; in automobiles, three – General Motors, Ford, and Chrysler. In the new industry of television broadcasting, there were three networks – NBC,CBS, and ABC. This consolidation took place all across the vast expanse of American industry.”[9]

The economic crisis of 1973-75 transformed US dominated oligopoly capitalism to internationalization of oligopoly. Manuel Castells argued that the cause of the 1973-75 crisis or rupture is as follows:

“The capitalist mode of production is an expanding contradictory system. Capitalist societies are shaped by the particular way these contradictions develop through the conflicts and interactions defined on the social classes and by their political expression. The major structural problems created by the process of capitalist accumulation in the United States were determined by the upheavals caused by new economic policies and the transformation of the system on the basis of a new relationship between the sate and the large corporations. The internationalization of capital, the creation of debt economy, and the decisive role of the state in the process of accumulation and realization of profit were major structural trends that allowed for sustained capitalist growth during almost three decades. But the introduction of these countertendencies to fight stagnation triggered new contradictions that were increasingly expressed through monetary crisis and the sprawl of structural inflation. In this particular situation, dominated by the defeat of imperialism in Indochina, increasing intercapitalist competition, and the development of social unrest within advanced capitalist societies, the new structural contradictions came together in certain conjunctural factors that, in return, made them more acute and precipitated the latest crisis."[10]

The transformation to the internationalization of oligopoly was driven principally by the development of multinational corporations. Stephen Hymer said,

"Since the beginning of the Industrial Revolution, there has been a tendency for the representative firm to increase in size from the workshop to the factory to the national corporation to the multidivisional corporation and now to the multinational corporation."[11]

Multinational corporation was pioneered by Standard Oil at the beginning of 1900 and today the top 50 US giant corporations operate internationally. Paul Baran and Paul Sweezy best described a multinational corporation as follow:

"It is not enough that a multinational corporation should have a base of operations abroad that; its true differentia specifica is that 'its management makes fundamental decision on marketing, production, and research in terms of the alternatives that are available to it anywhere in the world."[12]

Multinational corporations concentrated production on an international level. Capitalist apologist economists Fatemi, Williams and Saint-Phalle pointed this out:

"The significant impact of the multinational corporation is the internationalization of production and in the incipient development of a world economy. In this process the investment decisions and operations of companies are increasingly viewed in terms of world allocations of resources and of maximizing world welfare."[13]

Translation for maximizing world welfare is maximizing profit.

Once the internationalization of production was the exception, today, multinational corporations have made it the rule. The United Nations report titled "World Investment Report 2007", stated;

"The world's 100 largest TNCs[14] play a major role in international production. In 2005, they accounted for 10%, 17% and 13% repectively of the estimated foreign assets, sales and employment of all TNCs worldwide…..The top 10, with about $1.7 trillion in foreign assets (i.e almost 36% of the total foreign assets of the top 100), include four TNCs in petroleum and three in automobile production."[15]

Also, the United Nations Conference on Trade and Development (UNCTD) stated,

"Of the top 100 TNCs, 58 belonged to six industries; motor vehicles (11), petroleum (10), electrical and electronic equipment (10), pharmaceuticals (9), Telecommunications (9), and electricity, gas and water services (9)…If ranking were to be based on foreign sales or foreign employment they would yield different result. Ranking by sales would move the petroleum TNCs into the top four positions on the list and another four motor vehicles TNCs into the top 10 .The largest TNC in terms of foreign sales (ExxonMobil) is 10 times larger than the firm ranked 55 in the list. Ranking the companies by foreign employment would present yet another picture, placing three retail TNCs in the top position. On average, the largest TNCs had affilates in 39 foreign countries. Deutsche Post (Germany) was the leader in this regard, with value-added activities in 103 host economies, followed by Royal Dutch/Shell (United Kingdom/Netherlands) with 96."[16]

In 2006, America's Fortune 500 largest corporations generated over $10.6 trillion in revenues and over $645 billion in profits. The world's 100 largest corporations in 2005 generated over $10.2 trillion revenues and $696.8 billion in profits. The world's profits represent about 100 underdeveloped countries Gross Domestic Product. In other words, 100 underdeveloped countries Gross Domestic Product would double if the profits were shared.

As reported in the Fortune 500 May 5, 2008 edition, the largest corporation in the United States in sales for 2007 was Wal-Mart Stores, Inc (a consumer product company) with a total revenue of $379 billion and generated a profit of $13 billion. Wal-Mart Stores Inc employs over 1.9 million workers worldwide and operates 4,750 stores (3,600 in the US). It is the largest private employer in the world and operates in Mexico as Walmex, in United Kingdom as ASDA, and in Japan as Seiyu.[17] The Wal-Mart monopoly is both horizontal and vertical. From the vertical side 20-30 percent of the manufacturers sell their product to one big box – Wal-Mart. Ray Bracy, Wal-Mart Vice President for Federal & International Public Affairs said.

" Wal-Mart prefers to deal directly with Chinese and other suppliers and 'If there's a middleman in our process, even if it's a Wal-Mart middleman, we try and eliminate those. Wal-Mart inherited a massive list of global suppliers, from PREL which is Pacific Rim Export Limited that now is winnowed down to 6,000 global suppliers which is 80 percent in China."[18]

In addition, Wal-Mart has used computerized supply chains to master the science of global sourcing.

Wal-Mart horizontal monopoly is shown by the various subsidiaries – Wal-Mart Stores Divisions in the US (Discount stores, Super-centers and Neighborhood markets); Sam's Club, and Wal-Mart International. On the international side Wal-Mart operates in 13 countries with 2,757 locations, employs about 550,000 and generated sales of about $77 billion.

"Wal-Mart's marketplace clout is hard to overstate. In household staples such as toothpaste, shampoo, and paper towels, the company commands about 30% of the U.S. market, and analysts predict that its share of many such goods could hit 50% before decade's end.", as reported by Business Week.[19]

Wal-Mart is three times the size of the No. 2 retailer, France's Carrefour. Once again as Business Week noted, "Every week, 138 million Wal-Mart." shoppers visit Wal-Mart's 4,750 stores; last year, 82% of American household made at least one purchase at Wal-Mart. Wal-Mart is an example of the modern corporation – modern capitalism.

Not only the massive growth of multinational corporations has had profound impact but also one of the characteristic features of modern capitalism is the continuing process of the concentration of production. The international concentration of production is driven by the global merger and acquisition activities.

“A new surge of corporate concentration is in the process in the United States and abroad, driven in large measure by a restructuring of global markets through mergers and acquisitions (M&As)”[20] as reported, by Richard B. Du Boff and Edward S Herman.

In 1999, the worldwide merger deal (also know as megamergers) were $3.4 trillion, but by 2007 worldwide merger deal reach $4.7 trillion. Global consolidation was in the area of Materials, Financials and Energy/Power sectors. A record-breaking 47% of all mergers were cross-border mergers and acquisitions. Even capitalist advisors, Merger and Acquisition Review described the massive concentration of multinational corporations, as follows

” Consolidation in the Materials and Energy and Power sectors combined for nearly 29% of worldwide activity largely due to BHP Billiton’s US$193 billion bid for Rio Tinto. The deal, which ranks as the second biggest deal of all time, bolstered the all time, bolstered the already high level of activity in the Materials sector. Financials accounted for 16% of activity during 2007 driven by the takeover of ABN Amro by a consortium led by the Royal Bank of Scotland, which ranks as the biggest financial merger on record. Activity in the Industrials sector topped all industry groups, by number, with over 5,600 deals announced during 2007.”[21]

Du Boff and Herman give us a very clear picture of the merger and acquisition of multinational corporations.

“Unlike those of the 1980s, the current mergers are financed primarily with corporate stock, not borrowed money, and companies are not being broken into pieces for sale but are merging to enlarge their size. Today’s M&As are based on long-term strategic and economic motives. This involves acquiring the scale and resources to compete at home and abroad, protecting and enlarging market share, reducing competition and attaining greater pricing power, in what large corporations see increasingly, often primarily, as a global market …eiither way, excess capacity squeezes profitability, and mergers and takeovers are effective ways to reduce it, if temporarily, by shedding labor and closing down less profitable facilities.”,[22] said Du Boff and Herman.

Since the 1970s technological revolution, the multinational corporation has developed advanced cargo ships, cargo planes, overseas cables, steel containers, satellites communication and micro-computers to increase production and transportation. Even a liberal writer such as William Greider pointed out that

“Fast, lean, flexible – these familiar buzzwords are modern corporate management’s response to the revolutionary conditions. Rigorous contests for design efficiency. Continuous suppression of costs including labor costs. Redeploying elements of production overseas to capture local advantages, from low wages and taxes to other political favors. Securing access to the hot new markets in the world where rising demand exceeds supply and per unit profit margins can be widened. Reducing the fixed costs by dismantling corporate assets – selling plants and properties, shrinking middle-level bureaucracies, converting jobs to temporary status. Sharing cost burdens by forming alliances with putative rivals who will jointly finance the overhead of research and development, even share production.”[23]

During the hey day of monopoly capitalism trusts, syndicates and agreements were the norm of giant enterprises but modern giant multinational corporation practice joint ventures, cutting subsidiaries and price leadership. Joint venture is a corporate practice of sharing the cost of research, development and production. William Greider indicated that

“Corporations hedge against the risk of future rivals by globalizing – forming partnerships with their potential competitors, the new producers in emerging markets. The major multinationals hope to guide their evolution and, if it comes to that, to share the future markets with them in transnational corsortia of producers. Even if this corporate strategy should succeed, it still leaves out one group: the industrial workers back home whose jobs were traded away.”[24]

Also, multinational corporations engage in market leverage.

“Market leverage, in its usual application, provides domestic enterprises with greater economies of scale, allowing them to produce for their shelter home market, then sell surplus production into the other guy’s market, often at competitive discounts. Japan had used market leverage to brilliant advantage, relentlessly capturing market share and sometimes entire sectors, from automobiles to consumer electronics.”[25], as presented by William Grieder.

Today, advanced capitalism – multi-national corporation – is international oligopoly. Advanced capitalism was developed during the period of giant multi-division corporations. Capitalism has been transformed into imperialism and advanced capitalism has been transformed into advanced imperialism. Samir Amin also noted the change in capitalism – advanced capitalism, he said:

“Capitalism today is totally different. A handful of oligopolies alone occupy all the dominant heights in the conduct of national and global business. These are not strictly financial oligopolies but ‘groups’ within which the production activities of industry, agribusiness, commerce, services, and of course financial activities coalesce.”[26]

International oligopoly cannot abolish crisis or international crisis in particular. However, economic and financial crisis in turn increased the tendency for concentration of international oligopoly. Lenin pointed this out over 100 years ago when he said,

“The statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favourable light. On the contrary, monopoly which is created in certain branches of industry, increases and intensifies the anarchy inherent in capitalist production as a whole.”[27]

Reinhart and Rogoff identified the following post 1973-75 crises during the international oligopoly period: Spain (1977), Norway (1987), Finland (1991), Sweden (1991) and Japan (1992), Australia (1989), Canada (1983), Denmark (1987), France (1994), Germany (1997), Greece (1991), Iceland (1985), Italy (1990), New Zealand (1987), Mexico (1982), United Kingdom, (1974, 1991, 1995) and United States (1984).[28] The ***Economist*** **reported the 2007-08 financial crises wiped out $5 trillion value from worldwide public companies balance sheet.[29]**

International oligopoly is the latest phase in the development of capitalism. But to understand the significance of international oligopoly is to take into consideration the financialization of capital.

The development of modern banking arises with the concentration of multinational banking – the oligopoly of finance. Lenin noted that,

“As banking develops and becomes concentrated in a small number of establishments, the banks grow from humble middleman into powerful monopolies having at their command almost the whole of money capital of all the capitalists and small businessmen and also the larger part of the means of production and of the sources of raw materials of the given country and in a number of countries. This transformation of numerous humble middlemen into a handful of monopolists represents one of the fundamental processes in the growth of capitalism into capitalism imperialism.”[30]

Bank monopoly (finance capital) transformed bankers as industrial capitalists because banks coalescence with industry capital; and banks control and in some cases created the largest industries. For example, Ron Chernow gives us a vivid example of how JP Morgan created US Steel.

” U.S. Steel stoked the bonfire of speculation, at a time when million-dollar issues were considered large, the new corporation was capitalized at a whopping $1.4 billion (23 billion in 1989 dollars) – the first billion-dollar corporation in history. At the time, all U.S. manufacturing combined had only $9 billion in capitalization. To manage the flood of bonds and stock that finance the deal, Pierpont mustered a monster syndicate of three hundred underwriters. He appointed ace stock manipulator James R. Keene – a sharp-faced man with a pointed beard, known as the Silver Fox of Wall Street- to make a market in the shares. By simultaneously buying and selling shares, Keene created steadily rising prices and the illusion of tremendous volume. Despite predictions that so much stock would saturate the market, the issue’s success confirmed the boast of Morgan partner George W. Perkins that a Morgan issue “from the desert of Sahara’’ would find buyers. For its servers, the syndicate took in $57.5 million in stock (nearly $1 billion in 1989 dollars). The U.S. Steel promotion made explicit the marriage of finance and industry that marked the Baronial Age; when four Morgan partners joined the new trust’s board, the marriage was consummated.”[31]

Once again, the Great Depression and the two World Wars ended the reign of finance capital.

During the period of 1945-1973, the giant multidivisional corporation had accumulated massive internal capital to expand, control and monopolized more industries. In other words, multidivisional corporations no longer needed giant banks money capital. The Post-1945 age was a period of banks separating from multidivisional corporations and the rise of multinational banks. Harry Magdoff noted this when he said,

“This development in banking is a fitting complement to the new role of the United States as the leader and organizer of the imperialist order. What could be more natural than the coincidence of (a) the widespread military and political presence of the United States around the globe (via wars, military bases, and military and economic aid);(b) the dominant position of United States capital in the creation of multinational industrial empires; (c) the evolution of the dollar as the key international medium payment, credit, and reserve; and (d) the growth of multinational banking.”[32]

It’s also during this period that banks were transforming into multinational banks.

“When ranked by year 2000 revenues, 115 of the 500 largest companies in the world are FIs.[33] Ninety percent of these firms, which collectively hold USD $33 trillion of assets, are either banks or insurers.”[34]

In the Forbes 2008 special issue it reported HSBC Holdings as the worlds largest company (based on a composite score and fourth largest bank in the world) with sales of 147 billion dollars and assets of 2.3 trillion. Global Finance reported that in 2005 the top 10 global banks held assets of $12.6 trillion. They noted

“The growth in the assets held by the world’s banking titans has been anything but even ,though, and, as a result, the top of the list has been transformed. With a massive 36% jump in assets to more than $1.5 trillion, Switzerland’s UBS has leapfrogged second place Citigroup to adopt its mantle as the world biggest bank.”[35]

Citigroup Inc, operating as Citi, is the biggest bank in the world and formed from a merger of Citicorp and Travelers Group in 1998, the price of the merger was $140 billion. Citigroup is engaged in the business of credit card services, consumer finance, brokerage, insurance, and banking. Citigroup Inc has a $2.4 trillion in assets, employs 332,000 employees around the world, and has accounts in over 100 countries. In Mexico Citibank is known as Banamex, in El Salvador Citigroup is known as Banco Cuscatlan, and the Central America credit card is Banco Uno.

Multinational banking is dominated by Citibank, Bank of America Corp, HSBC Holdings, J.P. Morgan Chase & Co., and Bank One Corp. The Federal Reserve Statistical Release of September 2007, reported Citibank NA, Bank of America and JP Morgan Chase had a combined total of consolidated asset of $3.8 trillion. Multinational banks were being created by the giant mergers such as the mega merger of Chase Manhattan and J.P. Morgan & Company Inc, which created J.P. Morgan Chase & Chase Co. In addition, the National City Bank of New York, established in 1894, was considered one of the largest banks in 1897 and had open overseas banking offices by 1914. By 1955 National City Bank of New York merged with First National Bank and by 1976 it had changed the name to Citibank. By 1998, a mega merger of $70 billion between Citicorp (a creation of Citibank “one-bank holding company”) and Travelers created the largest financial institutions -Citigroup. Further concluded by James Houpt,

“Merger and acquisitions among large U.S. banking organizations since the mid-1980s have concentrated foreign lending among fewer U.S. banks. At the end of 1998, for example, a separately monitored group of six large money center banks held 83 percent of all transfer risk claims of U.S. banks. In 1986 that group consisted of nine banks, but it held only 58 percent of all such claims.”[36]

Banking was transformed from a single person controlled enterprise to giant multinational banking. As Magdoff clearly illustrated,

“The business economics behind the upsurge of foreign banking is similar to the motives behind the movement of industry abroad: a relative shrinkage of business opportunities on the domestic front and the attractive profit opportunities overseas.”[37]

The rise of multinational banking is the expansion of foreign branches into other countries.

James Houpt of the Board Division of Banking Supervision and Regulation stated the following:

” Consequently, the number of U.S. Banks having foreign branches began to grow. In late 1965, only 13 U.S. banks had foreign branches, and most of those had only a few: the branches’ assets totaled less than $10 billion. By 1970, 79 banks had foreign branches, with assets totaling 53 billion. Ten years later, 159 banks – nearly every U.S. banks having assets of more than $2 billion – had at least one foreign branch, the number of branches had grown to 787, and combined branch assets exceeded $340 billion.”[38]

By 1998 the Banking Empire was complete and worldwide. Christian Weller from the Center for Popular Economics makes a conclusive point,

“The global reach of private banking has two major dimension; cross-border lending and direct investment in the financial services sector of other nations. Cross-border lending occurs when a U.S. institution like BankAmerica lends dollars to the Mexican government or to a company in Mexico. Direct investment occurs when a U.S. bank like Citibank establishes a subsidiary in a foreign country. Banks that have subsidiaries in other countries are called multinational banks (MNBs). The largest U.S. banks do both: lend internationally and have an array of subsidiaries active in the financial services sector of many foreign countries.”[39]

Magdoff reported that US banks began entering the foreign markets in the 1970s by (1) the use of foreign banks as correspondent bank, (2) by setting branches which carry on full banking operations as they would in the United States, and (3) by setting up subsidiary corporations. These corporations buy into foreign-owned banks, set up banks and finance companies abroad, and invest in a wide variety of non-banking business.[40] Foreign branch offices that provide international banking services (full authority to represent and commit the bank) is the most preferred international banking structure. In 1998 Citibank and BankBoston purchased Argentine banks allowing the number of Citibank foreign branches to reach the peak of 935. Foreign subsidiaries, a separately incorporated wholly owned by the U.S. banking parent, is very common internationally because they can extend its reach into local retail banking in ways not practical through branches. Again as Houpt noted,

“Foreign subsidiaries vary widely in size, depending on their role. Some approach the size the of large U.S. banks, when measured by total assets (including claims on affiliates). At the end of 1998, the 23 largest foreign subsidiaries (those having assets of more than $5 billion, about 2 percent of all such subsidiaries) accounted for 68 percent of all foreign subsidiary assets. The nearly 800 subsidiaries having total assets of less than $100 million (70 percent of all foreign subsidiaries) held less than 2 percent of total foreign subsidiary assets.”[41]

Multinational banks also engage in foreign joint ventures and simple representative office. Lastly, US banks use Edge corporations, a limited purpose subsidiary, where the banking business is linked to foreign or international transaction. Also, indicated by Houpt that,

“At the end of 1998, 70 percent of the assets of all foreign subsidiaries of U.S. banking organizations were owned through Edge corporations.”[42]

Multinational banks have taken on the role of merchant banks, investment banks and active investors. The modern merchant banks, however, tend to advise multinational corporations and wealthy individuals on how to use their money. The advice varies from counsel on merger and acquisition to recommendation on the type of credit needed. The investment banks have taken on the job of generating loans and initiating complex financial transactions. More often than not, multinational banks were deal makers and not advisors. They would recommend a company for Leverage Buyout (LBO) deals that they would compete against one of their own underwriter clients. Ron Chernow describes the reinvention of banks into merchant banking. He said,

"Just when the 1982 Rule 415 had seemed to end the problem of banker-company collusion, investment banks reinvented it with merchant banking. It was no coincidence that Morgan Stanley's entry into merchant banking occurred after the advent of Rule 415, for through LBOs it could restore the exclusive relationship lost in the transactional age. What better hold to have on a company than to own a large piece of it? Three of the five Burlington board members were suddenly Morgan Stanley managing directors."[43]

Although, the number of banks has dropped 29 percent from 1994 to 2003, the number of bank branches has increased by 15 percent. This is also the period of rapid technological advances with the proliferation of automated teller machines (ATM), the rise of the Internet and broadband.[44] The number of ATMs has surpassed 1.5 million worldwide. The Retail Banking Research reported that the USA, Japan, Brazil, and China account for half the global ATM market. In 2005, Asia Pacific had the largest regional ATM market with 31% of the global total, having recently overtaken North America at 29%.

A new financial trend was developing in capitalism after the 1973-75 crises. Sweezy pointed out three trends transforming capitalism:

"(1) the slowing down of the overall rate of growth, (2) the worldwide proliferation of monopolistic (or olgipolistic) multinational corporations, and (3) what may be called the financialization of the capital accumulation process."[45]

By 1973 Robert Brenner, noted that there was persistent stagnation of private capital accumulation which was the slowing down of the overall rate of growth.[46] The last section covers the proliferation of oligopolistic corporation. However, the newest phenomenon of advance capitalism is the development of financialization of the capital accumulation process. John Bellamy Foster explained further that the financialization of capital is;

"The resulting 'double process of faltering real investment and burgeoning financialization' as capital sought to find a way to utilize its economic surplus, first appeared with the waning of the 'golden age' of the post-Second World War decades and has persisted, Sweezy observed, 'with increasing intensity to the present."[47]

Greta R. Krippner defines financialization as

"a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production."[48]

Another liberal writer, Gerald A. Epstein described the new financial period as

"Evidently, then, sometime in the mid- to late 1970s or early 1980s, structural shifts of dramatic proportions took place in a number of countries that led to significant increases in financial transactions, real interest rates, the profitability of financial firms, and the shares of national income accruing to the holders of financial assets." [49]

The most important development that has spurred the rise of financialization of capital is information technology. As Richard Barnet and John Cavanagh put it,

"The introduction of state-of-the-art information technology has changed what banks are and what banks do. Computers and electronic communications networks have expanded the markets for money products and reduced the costs of making transfers, in large measure by eliminating thousands of jobs for clerks, tellers, messengers, and the like. But the installation of the automated systems has required huge capital investments. In 1990, commercial banks in the United States spent $15 billion on information technology. The need to amass large investment funds for such purposes has encouraged the consolidation of investment and banking corporations. Firms merge to save costs by sharing expensive data systems. These systems facilitate the speedy settlement of money trading; even a few seconds of exposure before a transfer is settled can spell disaster if millions of dollars are involved."[50]

The informational technology has ushered in the computerization and the Internet access of 24 hours investment news for individual investors but it

"facilitated the identification of asset price trends, fostered momentum investing and for a while at least, made momentum investing a self-fulfilling prophecy."[51]

Electronic money has created massive fraud, computer breakdown due to viruses; gridlock and most importantly electronic transfers are secret. Barnett and Cavanagh pointed out that electronic money is money that is hidden funds from regulators, creditors, wives or husbands. The Cayman Islands, Bahamas, Bermuda, Cape Verde, Hong Kong, Bahrains have all serve as tax havens for the rich.

"Grand Cayman's financial district is reputed to have the highest concentration of fax machines in the world to serve its 548 banking outposts, which hold assets of about $400 billion." [52]

In the Cayman Islands ***New Resident Magazine*** **reported that Cayman Island is the world's fifth largest financial centre with 300 banks registered and approximately one trillion dollars in deposit; 8,000 investment funds, 740 companies registered as captive insurance companies and 135 registered trust companies. [53]**

The rise of the Euromarket facilitated the financialization of world capital. Barnett and Cavanagh said,

"By the 1970s, for every dollar U.S Banks were lending to non-Americans from their domestic bank offices, they were lending six or seven more from offshore facilities that collectively came to be called the Euromarket. This pooling of funds, mostly in dollars, started in Europe to accommodate the financial needs of Communist China, but it soon became a global money pool that could be used by borrowers anywhere. The distinguishing feature of the Euromarket is that money is denominated in a currency different from the official currency where the deposits are located."[54]

In other words, Euromarket is money (capital) for the multinational corporation in denomination that suit world investments.

Along with the rise of the Euromarket is the buying and selling of money itself. After Richard Nixon ended the backing of US dollars with gold and Paul Volcker, chair of the Federal Reserve Board, allowed the interest and exchange rates to float, the monetary system became a casino – place your bet and hope for the best. Barnett and Cavanagh said,

“The buying, selling, and lending of monetary products worldwide became businesses in themselves. Most of it had little or nothing to do with investment in either production or commerce. (However, as exchange rates became more volatile, hedging became almost a necessity for some transnational businesses.) Foreign direct investment in the Third World fell as the leading commercial banks of the world saw that they could reap quicker profits in commissions, fees, and interest by ‘recycling’ ten of billions of ‘petrodollars’ from the coffers of Kuwait and Saudi Arabia to the governments and their business associates in poor countries.”[55]

The separation of banking finance from the multinational corporation, technological development in communication and information processing, aging baby boomers, and the financial institutions quest for profits (commission or fees) have given rise to Institutional Investors. Institutional investors as defined by Blommestein and Norbert Funke is a

” financial institutions that ‘invest’ savings of individuals and non-financial companies in the financial markets.”[56]

Institutional investors generally are pension funds, insurance companies, open-end funds, hedge funds, closed-end funds, and commercial and security banks. Institutional investors have become a significant financial development of advanced capitalism. The size of Institutional investors was $24.4 trillion in the Organization for Economic Co-operation and Development (OECD) countries.

Pension funds have taken on a greater share of the role in Institutional investments. Retirement trusts increased from $2 billion in 1940 to $58 billion by 1977. Laura Olson, a liberal economist, best describe the development of the pension fund.

“During the 1950s and 1960s public-system investments tended to be legally restricted to certain types of fixed-income securities, particularly public sector obligations and bonds. As late as 1961 stocks accounted for only 3 percent ($.6 billion) and corporate bonds 39 percent ($8.5 billion)of total portfolios, while public securities represented nearly half ($10 billion) of investments. In the mid-1960s corporate bonds and stocks actually surpassed public issues. By 1976, the former accounted for 74 percent while public sector obligations represented only 11 percent of total state and local retirement trust portfolios.”[57]

Laura Olson exposed the false appearances of workers control of retirement trust noting that

“banks and insurance companies serve as custodians and advisers for substantial number of public pension systems, thus buttressing the power of financial institutions considerably. For example, 21 percent of total plans rely on the services of banks and 23.5 percent on insurance companies. While the power of these outside custodians and advisers varies widely, they often obtain full or partial control over the assets. Further, ‘in some cases one-half of the members of the investment committees [of state and local boards] represent financial institutions.”[59]

She is correct when in fact many of the fund mangers of public pension are division of large financial centers such as Citigroup, State Street, Merrill Lynch and Morgan Stanley. Robin Blackburn described the so-called sophistication of fund management as;

“However sophisticated fund management becomes, it remains the case that the nominal owners or beneficiaries of the assets in a pension fund have no say in how their savings are managed. There is thus a double accountability deficit, with fund managers not answerable to plan beneficiaries, and corporate management only sporadically answerable to shareholders. Indeed the now widely admitted crisis of corporate governance—several symptoms of which are to be considered below—has its roots in the failures of pension funds, and other institutional investors, properly to represent the interests and views of the ultimate owners, namely the plan participants. The evidence suggests that capitalism works better if its stewards are answerable to someone other than themselves.”[60]

Furthermore, Laura Olsen noted the following,

“Total pension-fund management in 1979, including private and public systems, is concentrated in 100 large-scale financial institutions that oversee investments of over 63 percent of the $500 billion tax-exempt assets or approximately $314.3 billion. Significantly, 81 percent of these funds were fully discretionary. The largest ten money managers held $113.5 billion in tax-exempt funds, which accounted for 50 percent of the total assets managed by these institutions. All ten had at least some state and local funds, with either full or partial discretion over investment decisions.”[61]

In 2007, the top 300 world pension funds had assets of $10.4 trillion. The world largest pension fund is Government Pension Investment from Japan, with assets of $936 billion and the second largest was Government Pension from Norway with assets of $286 billion. Although these are large pension funds (institutional investors) they are fundamentally the guardians of banks and financial institutions.

The complexity of financial investment and technological development created the need for professional managers such as the hedge fund. What is a hedge fund?

“Hedge funds are simple structures that engage in extremely complex investments. Essentially, they are nothing more than a group of wealthy individual and institutional investors. Because these rich investors are presumed to know how to handle their money intelligently-absorb losses- the Securities and Exchange Commission leaves the funds largely unregulated, an the managers are able to guard their investment carefully. They can move money in and out of stocks or commodities rapidly around the globe in response to market trends and fresh analysis. Investing with borrowed money (leverage) is a trademark of hedge funds, allowing for exponential returns on investment.”[62]

In 2005, there were 8000 hedge funds with $1.5 trillion assets under their management. These hedge funds managers engage in risky derivatives markets- an investment instruments such as futures and options whose value depends on the price movements of an underlying investment in stock or currency.

“But with the various styles of investment management that arose as institutional investors tried to promote product differentiation to justify their fee structures, there came a proliferation of benchmarks. Each niche of the equity market had its own style of investing, from large capitalization growth down to small cap value and so each needed its own appropriately skewed benchmark."[63]

As Parenteau described above that investment managers are driven by short-term profit.

Many middle class households in OECD got into the game of speculative investments from IRAs to leverage of home equity. Parenteau understood that the thirst for fees (wealth) will seep down into the middle class. He said,

"By late 1999, households use of leveraging to finance equity investment positions had become so compelling that $24 billion in margin debt was added in November alone. Home mortgages collateralized by equity portfolios were offered by several brokerage houses by the height of the equity bubble. In effect, users of this form of financial engineering appeared indifferent to a margin call that could literally displace them from their homes."[64]

The financialization of capital is a new phase of capitalism where profit (in form of fees and/or commission) is derived from the buying and selling of money. Capital assets are artificially inflated for the sole purpose of market transaction to buy and sell. The Dot.com boom was an artificial inflation of internet assets and the housing boom was driven the same way. John Bellamy Foster summed up three critical points about the financialization of capital.

"This symbiosis had three crucial aspects: (1) The stagnation of the underlying economy meant that capitalists were increasingly dependent on the growth of finance to preserve and enlarge their money capital. (2) The financial superstructure of the capitalist economy could not expand entirely independently of its base in the underlying productive economy – hence the bursting of speculative bubbles was a recurrent and growing problem. (3) Financialization, no matter how far it extended, could never overcome stagnation within production."[65]

Robin Blackburn described financialization as:

"the growing and systemic power of finance and financial engineering" [66]

In other words, the domination of finance in advanced capitalism –the **fourth dimension** Robin Blackburn called it.

A decadent and speculative nature of financialization is characteristic of advanced capitalism. The development of multinational banking and the financialization of capital can be sum up in two words–finance dominated. Professor Engelbert Stockhammer noted,

"The term finance-dominated rather that finance-led is used to highlight that financialization is shaping the pattern of accumulation (or put in another way: the composition of the components of aggregate demand and their volatitity)."[67]

Although, Stockhammer characterize finance-dominated in terms of nations growth, expenditure, and investment; he failed to understand the context of finance-dominated as a phase of international oligopoly – a phase of capitalism. In the classical imperialism period finance capital reigned supreme; today, in advanced imperialism finance- dominated reigns internationally supreme. Another feature of the development of multinational corporations/banks and finance-dominated is the development of Foreign Direct Investment (FDI)

Foreign Direct Investment

Stephen Hymer clearly points out that the rise of Multinational Corporation/Banking is related to the growth of Foreign Direct Investment (FDI). He said,

” U.S. corporations began to move to foreign countries almost as soon as they had completed their continent-wide integration. For one thing, their new administrative structure and great financial strength gave them the power to go abroad. In becoming national firms, U.S. corporations learned how to become international. Also, their large size and oligopolistic position gave them an incentive. Direct investment became a new weapon in their arsenal of oligopolistic rivalry. Instead of joining a cartel (prohibited under U.S. law), they invested in foreign customers, suppliers and competitors. For example, some firms found they were oligopolistic buyers of raw materials produced in foreign countries and feared a monopolization of the sources of supply. By investing directly in foreign producing enterprises, they could gain the security implicit in control over their raw material requirements. Other firms invested abroad to control marketing outlets and thus maximize quasi rents on their technological discoveries and differentiated products. Some went abroad simply to forestall competition.”[68]

Table 1

Historical U.S. Direct Investment Abroad (1950-2006)

Year	Direct Capital Outflow (Billon of Dollars)
1950	.06
1960	1.7
1969	3.1
1982	207.8
2006	2,384.0

Source: Survey of Current Business, July 2007 and

The new weapon in the U.S. Multinational Corporation/Banking arsenal is the $2.3 trillion

Foreign Direct Investment in 2006. As noted in the Table 1, US direct investment has increased dramatically since 1950

Also, the Survey of Current Business reported U.S. parent companies have funneled an increasing share of their direct investments abroad through holding-company affiliates. A holding company is a shell company whose purpose is to hold securities or financial assets of other companies. In 1982, foreign affiliates classified as holding companies represented only 9 percent of US Direct Investment in industries, but by 2006 this had rose to account for 30 percent as noted below in Table 2.

Table 2

US Direct Investment in Industries 2006 (million)

Industries	Amount	Percent
Mining	136,145	5.71
Manufacturing	503,495	21.12
Wholesale trade	164.290	6.89
Information	74,368	3.12
Depository Institution	67,550	2.83
Finance	484,840	20.34
Professional, Scientific	57,429	2.41
Holding Companies	710.336	29.80
Other Industries	185.549	7.78
Total	2,384,004	100.00

In 2003, $7.5 trillion of direct foreign investment outflow was from the Organization for Economic Co-operation and Development (OECD) countries. The United States accounted for about 28 percent and the United Kingdom accounted for 16.5 percent. The massive growth is a result of international oligopoly spurred on by the giant mega mergers. To quote Hans Christiansen and Ayse Bertrand from the OECD,

“While M&A are only one element in total FDI flows, in most OECD countries they account for more than half of total investment. In addition, they tend to be the component of FDI that responds most strongly, or most immediately, to changes in the business climate, financial conditions macroeconomic performance.”[69]

Furthermore, Thomas Weisskopf explained to us how the multinational corporation/banking new arsenal is used on underdeveloped countries. He said,

“The increasing significance of foreign investment in manufacturing has important implications for the (nonsocialist) underdevelopment countries. Where foreign investors in an earlier era were primarily concerned with extracting and exporting valuable raw materials, they are now becoming more and more directly involved in the local economy. This leads on the one hand to a greater degree of influence and control over domestic economic affairs. It leads also to a new kind of relationship with the host government. Rather than simply requiring a minimum of interference with their activities, foreign investors now seek the active cooperation of host government in measure design to promote capitalist social and economic relations within the country. The desire to create a 'favorable investment climate' results in a continued spread of capitalism and an increasing integrated world capitalist system."[70]

What Weisskopf is helping us to understand is that monopoly capitalism had developed from principally extracting and exporting raw resources of a country (the monopoly period); transitional period of protecting the flow of extracted raw resources and initial control of countries; to international oligopoly and finance-dominated capital of direct economic control of a country.

Foreign Direct Investment is the latest phase of capitalism. Lenin said,

"Type of old capitalism, when free competition had undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital."[71]

Lenin also noted,

"that that international exchange is a characteristic distinguishing feature of capitalism, but also that uneven development of individual enterprises and individual countries is inevitable under a capitalist system. Some capitalist countries will become rich from its monopolist position to create the 'superabundance of capital'. This 'superabundance of capital' has to be invested somewhere and capitalist will not invest it at home. Thus, the superabundance of capital' is exported overseas."[72]

During the period Lenin was writing his piece on imperialism (monopoly capitalist period), the export of capital was uneven and undeveloped. Much of the export was in the form of loans to countries and infrastructural development to get raw material to the center industries. After 1945, the export of capital took on a new form. The United States was in a strong economic position, Britain industries were destroyed and the UK was forced to ask US for a loan of $3.8 million and France asked for a $1 billion loan. To manage the free flow trade for the US and international finance the US sponsored the Bretton Wood conference to established the International Monetary Fund and the International Bank for Reconstruction and Development (IBRD) which later became the World Bank. The World Bank was capitalized with $10 billion to make loans and to issue securities to promote postwar recovery in Germany, France, Great Britain and Japan. The International Monetary Fund (IMF) was capitalized with $8.8 billion to grants loans to member's countries in financial difficulties. While, IMF and the World Bank were granting loans to countries, the US was using these institutions to export US capital in Europe and former European colonies. The US hegemony dominated the exporting of capital until 1970s. Not only did the US use the IMF and the World Bank as a means of exporting capital but also promoted structural adjustment programs and dependent aid. President Kennedy said,

"Foreign aid is a method by which the United States maintains a position of influence and control around the world, and sustains a good many countries which would definitely collapse, or pass into the Communist bloc,"[73]

In 2004, the United States provided $4.5 billion in some form of foreign assistance to about 150 countries. Israel and Egypt were the largest recipients, although Iraq, which received over $20 billion for reconstruction activities since mid-2003, is the biggest recipient in FY 2004.

Multinational banks found it difficult to compel a Maldeveloped country to change economic policy, but IMF and the World Bank were used as Trojan Horses to force countries to change. For example, many former colonies of European countries had won political independence but were nationalizing industries and promoting non-align economic development. Imperialist powers address the problem of former colonies economic independence by hiring economic mercenaries called Economic Hit Man (EHM). Economic Hit Man's were hired to convince developing countries to accept loans from IMF and World Bank; plus to accept subsidized loans that inevitably funnel back to U.S. multicorporations. A confessed economic hit man, John Perkins said,

"That is what we EHMs do best: we build a global empire. We are an elite group of men and women who utilize financial organizations to foment conditions that make other nations subservient to the corporatocracy running our biggest corporations, our government, and our banks." [74]

IMF and World Bank approved loans on the conditions that national industries are privatize and subordinated to the world capital market. IMF called this program the Structural Adjustment – 1) privatize the economy, 2) promote private investment, 3) restructure your economy to repay the debt, 4) open up your national market to imperialist trade and investment. In other words, become part of the capitalist global market or die.

The IMF and the World Bank, principally run by the United States, have been promoting a policy of global consensus – Washington consensus – imperialist consensus. In 1999, Michael D. Bordo and Harold James prepared a report to the US Congress which stated,

"The collapse of the communist economies, or (in the case of China) their transformation into market economies was the last stage in the creation of the new consensus. The consequence has been an increasing homogeneity of political outlook, as well as of the economic order. Indeed, one key insight is that the two are linked: that economic efficiency depends on a functioning civil society, on the rule of law, and on respect for private property." [75]

Today, the export of capital is dominated by the Foreign Direct Investment from multinational corporation/banks, but also aid and loans from the World Bank and IMF are also use. Today, imperialist countries are in the process of re-dividing the world.

The Re-Division of the World by Imperialist Countries.

"The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And they divide it 'in proportion to capital,''in proportion to strength,' because there cannot be any other method of division under commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what is taking place, it is necessary to know what questions are settled by the changes in strength. The question as to whether these changes are ‘purely’ economic or non-economic (e.g. military) is a secondary one, which cannot in the least affect the fundamental views on the latest epoch of capitalism. To substitute the question of the form of the struggle and agreements (today peaceful, tomorrow warlike, the next day warlike again) for the question of the substance of the struggle and agreement between capitalist combines is to sink to the role of a sophist.” [76] Amen Lenin.

The period leading up to monopoly finance capital was very intense – military (Anglo Boer War) or peaceful (western powers sitting around a table in 1884 at the request of Portugal, German chancellor Otto von Bismark called the Berlin Conference to discuss Africa’s fate) – the partition of the world. Africa, Polynesia, Asia, Middle East and Australia were nothing more than colonies under direct political, economic and military control of the western powers.

After 1945, Great Britain, France and Germany had lost many of their colonies to the United States. The colonies and semi-colonies were under the political and economic control of US hegemony. By 1973-75, most of the Third World countries were free from direct colonial control. From 1945 to 1990, there were two superpowers – the United States and the Soviet Union. This was a period of US hegemony – a period of US power to protect and expand the capitalist sphere.

But many former colonies were forced into a new relationship with their former colonizers – Neo-colonialism. Kwame Nkrumah, leader of Ghana, wrote the following:

“The essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside. The methods and form of this direction can take various shapes. For example in an extreme case the troops of imperial power may garrison the territory of the neo-colonial State and control the government of it. More often, however, neo-colonialist control is exercised through economic or monetary means. The neo-colonial State may be obliged to take the manufactured products of the imperialist power to exclusion of competing products from elsewhere. Control over government policy in the neo-colonial State may be secured by payments towards the cost of running the State, by the provision of civil servants in positions where they can dictate policy, and by monetary control over foreign exchange through the imposition of a banking system controlled by the imperial power.”[77]

In 2004, the US empire extended around the world as in many way as the British empire – The sun doesn’t set on the British empire. The US has troops in 135 countries (70% percent of the world’s countries): and diplomatic relations with 192 countries. As of 2003, the US has 17.6 percent of its military forces on foreign soil. Although, the US is the most powerful military power in the world today, economic re-division is occurring. Let’s use one resource that best demonstrate the re-division of the world – oil. Henry Kissinger, a long-time member of the US capitalist Council on Foreign Relations (CFR), reportedly said:

“Control the oil and you can control entire Continents.”

Michael Collon, a Belgian author, makes it even more plain. He said,

” If you want to rule the world, you need to control oil. All the oil. Anywhere.”

Daniel Yergin makes an even more powerful illustration of the power of oil. He said,

“Yet petroleum remains the motivating force industrial society and the lifeblood of the civilization that it helped create. It is still the basis for the world’s biggest business, one that embodies the extremes of risk and reward, as well as the interplay and conflict between entrepreneurship and corporate enterprise, and between private business and the nation-state. It also remains – as demonstrated in the Gulf Crisis of 1990 and 1991 – an essential element in national power, a major factor in world economics, a critical focus for war and conflict, and a decisive force in international affairs.” [78]

Who controls the oil reserve and oil refineries – control the world. Petroleum produces 90% of vehicular fuel. The top three oil producing countries are Sandi Arabia, Russia and the United States.

One region of the world where re-division has always been an epicenter of change is Africa. Africa currently contributes 12 percent of the world’s oil production. One in four barrels of oil discovered outside of the U.S. and Canada between 2000 and 2004 came from Africa.[79] Since 1945, the US has dominated the oil resources from around the world including Africa- such as Nigeria (ChevronTexaco Corp, Shell, ExxonMobil/Esso), Angola (Shell Oil), Chad (ChevronTexaco) and other places. The number one oil importer to China is Angola. China has acquired a 50% ownership in ‘block 18’ from Angola offshore and sweetened the deal with a $2 billion dollar credit line to the Angolan state infrastructural projects. SINOPEC (China Petroleum and Chemical Corporation) and China National Petroleum Corporation are active in Gabon and Sudan. Nigeria was long held as US oil sphere of interest. But in January 2006, China National Offshore Oil Corporation acquired a 45 percent stake in an off-shore field in Nigeria for $2.3 billion dollars. China also was a major developer of Sudan’s oil pipeline and shipped about 7% of Sudan low-sulfur oil to China. As William K Tabb said of Africa,

“Africa bleeds because of its abundant wealth. Charles Taylor privatized the resources of Liberia by selling rights to resources to foreign companies and pocketing the money. There is the case of Dafur in the oil rich Sudan. There is Nigeria, exceedingly rich in oil and corruption, where foreign aid is badly needed. The environment of the Niger Delta is being destroyed, and people are killed by army thugs protecting Shell oil. Equatorial Guinea is a criminalized state which receives half a billion in oil revenues. Because of this, it ranks sixth in the world in per capita income but third from the bottom in the UN’s human development index table. A third of the population has been killed or driven into exile. The revenues of the Cameroon-Chad pipeline operated by Exxon-Mobil, with additional investment from ChevronTexaco, do not help the people of the area who remain among the poorest of the poor as the natural wealth of their land is looted.”[80]

In January 24, 2008 issue of Financial Times reported the following:

“As recently as 2004, nearly half of foreign direct investment (FDI) from China into Africa was concentrated in Sudan, where the Chinese National Offshore Oil Corporation (CNOOC) helped develop the country’s oil-fields, hampering in the process US efforts to ostracize the Khartoum regime. Today, FDI from China is spreading across dozens of African countries as Chinese companies expand their search for raw materials from cotton to zinc and tens of thousands of entrepreneurs arrive in the slip-stream of big state-backed deals. China’s largest acquisitions abroad have been in Africa, including the $5.5 billion that Industrial and Commercial Bank of China paid for a 20.5 per cent share in South Africa's Standard bank last year."

The re-division of the world is not limited to Africa. China recently completed an oil pipeline from Atasu, Kazakhstan to the Alataw Pass in China in 2006. China has an established relationship with Venezuela , Boliva and Iran. China is committed to a capitalist system no matter how you cut it. US capitalist foreign analysts get it, but the left in the US appears weak on the subject. Minqi Li, demonstrate the point that China is nothing less than a capitalist system with a socialist shell. He said:

"After Den Xiaoping's notorious 'Southern Tour' in 1992, the Chinese Communist Party's leadership was officially committed to the goal of a 'socialist market economy', which, in the Chinese context, is not but a euphemism for capitalism. In the 1990s, most of the state and collectively owned enterprises in China were privatized. Tens of millions of state and collective sector workers were laid off. The remaining state sector workers lost their traditional socialist rights symbolized by the 'iron rice bowl' (a package of economic and social rights that included job security, medical care, child care, pensions, and subsidized housing) and were reduced to wage workers exploited by domestic and foreign capitalists."[81]

Russia has vast oil fields to control Eastern Europe and Algeria has given Russian companies significant access. As F. William Engdahl noted,

"Algeria has given Russian companies exclusive access to Algerian oil and gas fields, and Gazprom and Sonatrach will cooperate in delivery to France. Putin has canceled Algeria's US$4.7 billion debt to Russia and, for its part, Algeria will buy $7.5 billion worth of Russian advanced jet fighters, air defense system and other weapons."[78]

In September 2005, Moscow concluded a $5.7 billion deal with Germany in laying a 1,000 kilometer gas pipeline with an annual capacity of 55 billion cubic meters connecting Russia's Black Sea coast through international waters with Greifswald on Germany's coast.[83]

Another emerging force on the world scene is India. In 1991, India underwent a major financial crisis and resorted to the International Monetary Fund to bail them out. In exchange, IMF demanded that India privatize various sectors and in particular the hydrocarbon sector. In 1964 Indian Oil Corporation was formed and today it's the largest commercial enterprise in India and the 20th largest oil/petroleum business in the world. Indian Oil Corporation will import 31.41 million tons of crude oil as reported by The Economic Times.

"Much of the urgency behind India's current drive to secure and diversify its sources of oil and natural gas is due to fear of falling behind other countries, especially China. The chairman of the partly privatised Oil and Natural Gas Corp. (ONGC), Subir Reha, said in a recent interview with Bloomberg.com that India was concerned that it had lost oil bids in Sudan and Indonesia to China. During "the three to four years" China had a "lead" on India in aggressively seeking foreign energy resources, the Chinese "got lots of oil and gas projects" when crude oil prices "had fallen to single digits," complained Reha. 'When we came to the international market, crude reached record levels and no one was selling properties.'"[84] said Parwini Zora and Daniel Woreck.

Advanced Imperialism- a phase of Capitalism

William K Tabb provides us a generic definition of imperialism as a

"system by which dominant power is able to control the trade, investment, labor and natural resources of other people."[85]

This definition encompasses imperialism from the Athenian period to today. Tabb's working but broad definition of imperialism is limited in the context of a "dominant power is able to control" resources of other people. However, as good as Tabb's definition is we should distinguish the various forms of imperialism in terms of their historical socio-economic characteristics.

During the Athenian period, imperialism was an agricultural and slave base system that required the constant capture of territory. Rome, Greece, Egyptian, and other imperialist empires demanded constant expansion of territory and the loot from the conquest was for tribute to the City/State. The classical imperialism period or finance capital period (1870-1945) had the following characteristics as defined by Lenin: (1) concentration of production and capital to the highest stage –monopoly capital (2) merging of bank capital and industrial capital; (3) the export of capital; 4) formation of capitalist combines to share the world among themselves and (5) territorial division of the world among the biggest capitalist powers.

Classical imperialism was founded on the development of monopoly capitalism compared to the Athenian period of peasant and slave base systems. The classical imperialism period was ruptured by the two World Wars, the depression in the 1930's and the Russian Revolution of 1917. The historical rupture gave rise to the oligopoly period of US imperialism. The US dominated imperialism of oligopoly capitalism (1945-1973) had the following features: (1)the struggle of holding back the contraction of the capitalist sphere; (2) the United States as the world organizer of the imperialist system; and (3) the internationalization of technology.

The crisis of 1973-75 ruptured the national oligopoly period of imperialism. Today, we are in a new period of advanced capitalism – a new phase of capitalism where advanced imperialism has arisen. Advanced imperialism is (1) a period of multinational corporation and international concentration of production has developed to the level of international oligopoly; (2) multinational banking and the financialization of capital has elevated finance to the most dominated level; (3) the export of capital is the principal network of financial control and (4) the biggest capitalist powers are in the process of re-dividing the world.

Advanced imperialism has not reduced the contradiction in the world today, but in fact it has intensified the struggle between powers. Antagonism between unevenly developing industrial centers is the hub of the imperialist wheel as pointed out by Harry Magdoff [87] John Bellamy Foster summarized Istvan Meszaros points when he says,

"Instead what is emerging is the 'potentially deadliest phase of imperialism' evident in 1) growing rivalry between the United States, Europe and Japan; 2) increasing concern by China, viewed as an emerging superpower rival; and 3) aggressive U.S. attempts to preempt such challenges by extending the geopolitical sphere of its hegemony."[87]

But long before the word imperialism was fashionable on the lips of today's activists, Istvan

Meszaros wrote in ***Socialism or Barbarism*** **the following:**

“For even in the present-day contradictions between the United States and Japan, as well as between Russia and the United States, are much greater than the adopted scheme of things allows for, not to mention their potential unfolding in the future. Nor should some ignore the objective conflicts of interest between India and the United States in order to transfigure them into perfect harmony on account of the postulated ‘nervousness’ about China.”[88]

Yes, advanced imperialism is the deadliest phase not only because of the contradictions between nations, but also because advanced imperialism is a new phase of capitalism – international oligopoly and finance dominated.

Arundahati Roy declared in ***An Ordinary Person’s Guide to Empire*** **that “The cornerstone of New Imperialism is New Racism.”[89] I would modify it to declare that the cornerstone of Advanced Imperialism is Advanced Racism. Arundahati Roy presents a powerful image of advanced racism as follows:**

“That’s how New Racism in the corporate era works. A few carefully bred turkeys-the local elites of various countries, a community of wealthy immigrants, investment bankers, the occasional Colin Powell or Condolezza Rice, some singers, some writers (like myself) – are given absolution and a pass to Frying Pan Park. The remaining millions lose their jobs, are evicted form their homes, have their water and electricity connection cut, and die of AIDS. Basically they’re for the pot. But the Fortunate Fowls in Frying Pan Park are doing fine. Some them even work for the IMF and the WTO-so who can accuse those organizations of being anti-turkey? Some serve as board members on the Turkey Choosing Committee- so who can say that turkeys are against Thanksgiving? They participate in it! There’s a stampede to get into Frying Pan Park. So what if most perish on the way?”[90]

Racism is a social arrangement whereby race is used as a systematic process of dividing, subordinating and exploiting people of color. Internalized racism and racial privilege are the interconnected hydra in maintaining and sustaining racism. New Racism is the capitalist system’s systematic process of subordinating and exploiting based on race. New Racism’s initial construction of race is based on identifying blackness and according the highest privilege to whiteness. As Arundhati Roy noted, that privilege gets certain people into Frying Pan Park without ever using the word whiteness. New Racism is more venomous because it does not need to called people of African descent the N word or to use a blatant racist system. Advanced capitalism is interwoven in New Racism – it is the soul of capitalism.

Advanced imperialism has incorporated New Racism into racial imperialism. Racial imperialism has commodified Blackness (i.e. Michael Jordan) and sent it around the world in the form of MTV, BET and other forms of market branding for imperialist products. Clarence Lusane said,

“All the while, working and nonworking people in the United States and the world over are being misinformed about the real relations of power underlying these changes by corporate-mediated news and by entertainment diversions from corporate-owned cultural industries. On the cultural front, which is being exported is more than just capital and industry. In particular, racist images of a media-constructed, African-American life, unmonitored and uncontrolled by the very same community, are transmitted around the world through a wide range of mediums. From rap videos to Hollywood gangsta films to television entertainment and news programs, the black image as corporate construction has been globalized.”[91]

Advanced imperialism will allow a few people of African Descent to be ordained as acceptable Black. These acceptable Blacks must prove themselves above and beyond the called of duty; and to implement, promote and defend the imperialist system. Malcolm X called them House Negro. Malcolm X said,

“The House Negro loves his master more then he love himself. I repeat he loves his master more than he loves himself. When the master was sick, the house Negro would say, “We sick boss. We sick.” If the master house got on fire, the house Negro would go get water to put out the fire.”

House Negroes are in the White House doing the imperialist master’s work and making sure his house does not catch on fire.

Advanced imperialism has created a significant economic surplus from the international oligopoly, export of capital, and the process of re-division of world. The development of advanced imperialism has created massive pauperization and a privilege section of the working class in the center and peripheries. Samir Amin developed a table as shown below to help us understand the division of people in the urban areas.

Table 3: Percentages of the Total Urban Population

	Centers	Peripheries	World
Rich and Middle Class	11	13	25
Popular Classes	24	54	75
Stabilized	(13)	(11)	(25)

Precarious

(9)

(43)

(50)

Total

33

67

100

Source: Liberal Virus, Samir Amin

What the above table clearly suggests is

” the proportion of the popular classes in precarious position has gone from less than a quarter to more than half of the global urban population and this phenomenon of pauperization has reappeared on a significant scale in the developed center themselves,”[92]

said Amin. Also, Jeremy Rifkin made a similar point when he said,

“The corporate drive to automate and relocate manufacturing jobs split the black community into two separate and distinct economic groups. Millions of unskilled workers and their families became part of what social historian now call an underclass – permanently unemployed part of the population whose unskilled labor is no longer required and who live hand-to-month, generation-to-generation, as wards of the state. A second smaller group of black middle-class professionals have been put on the public payroll to administer the many public assistance programs designed to assist this new urban underclass.”[93]

The super surplus has not only divided the working class, but it has privilege section of the working class by race, gender, skill, income and social status to keep them beholden to the imperialist system. The leadership of the working class in the center has sold out the interests of the working class and focuses its efforts on protecting the most privilege sector of the working class. The imperialists have privileged sections of the working class in the center and in the peripheries. However, the working classes in the peripheries are learning from the failure of the center working class. Advanced imperialism has made the working class in the peripheries natural allies with the lowest sector of the working class in the center and oppressed people.

Advanced imperialism is parasitic and decaying. Advanced imperialism sabotages and monopolized technology by promoting intelligential property rights and acquiring the rights of new technology. Also, the development of money manager is another feature of the parasitic nature of advanced imperialism. Money managers are leeches on money capital and perform no other duty than investing capital for other. Money managers have profited off the transfer of money capital in the form of commission and fees. As reported in the March 1st issue of ***The Economist,*** “But thanks to the rise of private equity and hedge funds, these days fund management is a fast route to billionaire status. Buoyant markets and generous performance fees mean that manager who gets it right become very rich very quickly.”

The table below shows the largest money managers in the world.

Table 4: Top 10 Asset Manager, December 2006

Manager	Total Assets $trn
UBS (Switzerland)	2.45
Barclay Global Investor (Britain)	1.81
State Street Global (United States)	1.75
AXA (France)	1.74
Allianz (Germany)	1.71
Fidelity Investment (United States)	1.64
Capital Group (United States)	1.40
Deutsche Group AG (Germany)	1.27
Vanguard Group (United States)	1.17
BlackRock Group (United States)	1.12

Source: The Economist, March 1st, 2008

Advanced imperialism is the deadliest phase of capitalism. It has destroyed the ecological system on earth, amassed the largest number of nuclear weapons in the world, and the continuous contradictions of capitalism will be resolved one way or another – peacefully or violently.

"I can only conclude that capitalism has entered its declining senile phase' the logic which governs the systems is no longer able to assure the simple survival of half of humanity. Capitalism has become barbaric, directly calling for genocide,"[94] said Samir Amin.

The Neo-Imperialists

Once again imperialism is on many activists' lips but their understanding appears limited and undeveloped. Often, imperialism has been described in terms of its horrible policies of intervention, pre-emptive strikes and military occupation. Although, the United States has committed all of these horrible policies they do not explain the fundamental nature of imperialism today. Moreover, we will need to analyze the phenomenon or to apply scientific tools to the current period.

For example, Michael Hardt and Antonio Negeri have declared imperialism is dead and we are living in a post-modern period of Empire which has no center (nation) to operate from but its impact is felt everywhere. I quote,

"The United States does not, and indeed no nation-state can today, form the center of the imperialist project. Imperialism is over. No nation will be world leader in the way modern European nations were."[95]

I do not know what cheap Kool-Aid Hardt and Negeri have been drinking but capitalists recognized that imperialism does exist. The US Council on Foreign Relations, a think tank for imperialist foreign policy makers, published an article in the ***Foreign Affairs*** **stating the following:**

"By launching his war on terrorism, the president has at least acknowledged the urgency of the threat. For all the grumbling over Balkan commitments, the administration has pulled out of neither Bosnia nor Kosovo. The logic of neoimperialism is too compelling for the Bush administration to resist. The chaos in the world is too threatening to ignore, and existing methods for dealing with that chaos have been tried and found wanting."[96]

I am not suggesting that the Council will reveal the true nature of advanced imperialism, but they do not deny that imperialism does in fact exist. Hardt and Negri have suggested that the Empire has developed to such a degree that the multinational corporation has no material base, allegiance, or class.

As the US was preparing to invade Iraq in 2003, David Harvey presented a series of lectures at Oxford on New Imperialism. David Harvey had reopened the question surrounding the nature of imperialism again after thirteen's years following after Prabhat Patnaik complained about the disappearance of imperialism from left writing and voice.

David Harvey defined his form of imperialism as "capitalist imperialism" –

"a contradictory fusion of 'the politics of state and empire' (imperialism as distinctively political project on the part of actors whose power is based in command of a territory and a capacity to mobilize its human and natural resources towards political, economic, and military ends and the 'molecular processes of capital accumulation in space and time' (imperialism as a diffuse political-economic process in space and time in which command over and use of capital takes primacy)."[97]

In other words, Harvey's capitalist imperialism appears to have both fusion and tension between politics and economics. David Harvey described this new imperialism as "accumulation by dispossession" and a "spatio-temporal fix". What David Harvey failed to understand is that politics is a concentrated expression of economic struggle and not principally a struggle for political territory. In fact, advanced imperialism is a new phase of advanced capitalism where international oligopoly and finance dominated. To base imperialism simply on the fact that to resolve the crisis of capital accumulation in space and time by expanding into other territories is to miss the heart and soul of advanced imperialism today. But David Harvey loses sight of this fundamental point when he said that,

"Imperialism of the capitalist sort arises out of a dialectical relation between territorial and capitalistic logics of power."[98]

Yes, Yes, Karl Marx noted that capitalism's internal contradiction of capital accumulation will "seeks to resolve itself through expansion of the outlying field of production."[99] But, Marx's explanation of the law of capital accumulation, declining rate of profit, and the realization of profit was addressing in the period of competitive capitalism. Marx's understood that competitive capitalism would inevitably lead to monopoly capitalism. Lenin made the same point as follows:

"It is highly important to have in mind that this change was caused by nothing but the direct development, growth, continuation of the deep-seated and fundamental tendencies of capitalism and production of commodities in general. The growth of commodity exchange, the growth of large-scale production are fundamental tendencies observable for centuries throughout the whole world. At a certain stage in the development of exchange, at a certain stage in the growth of large-scale production, namely, at the stage that was reached approximately at the end of the nineteenth and the beginning of the twentieth centuries, commodity exchange had created such: in internationalisation of economic relations, and such an internationalisation of capital, accompanied by such a vast increase in large-scale production, that free competition began to be replaced by monopoly. The prevailing types were no longer enterprises freely competing inside the country and through intercourse between countries, but monopoly alliances of entrepreneurs, trusts. The typical ruler of the world became finance capital, a power that is peculiarly mobile and flexible, peculiarly intertwined at home and internationally, peculiarly devoid of individuality and divorced from the immediate processes of production, peculiarly easy to concentrate, a power that has already made peculiarly large strides on the road of concentration, so that literally several hundred billionaires and millionaires hold in their hands the fate of the whole world."[100]

Furthermore, there is nothing contradictory between the struggle for resources and re-dividing the world; and the development of international oligopoly – concentration of multinational banking/corporations. In fact, they are interconnected and interrelated to the development of advanced imperialism.

In January 22-24, 2004, Prabhat Patnaik submitted a paper on "The New Imperialism" at the

International Conference on “The Economic of the New Imperialism.” Patnaik put forward various thought provoking ideals, but the following appears to get at the heart of his analysis:

” The ‘globalization of finance’ underlies the emergence of a new form of international finance capital, which is quite difference from the finance capital that Lenin and Hilferding had written about. Its national origin within the metropolis, its integration with industry in its particular economy, and its link with the nation-State of the country of origin, are of secondary importance today for its strategic behavior what we have instead is finance which is only tenuously linked industry but which pursues prospects of gain, mainly speculative gain, over the global terrain, unconstrained by any ‘national’ considerations. Not surprisingly, in this milieu, instead of having different financial oligarchies locked in conflict with one another in their quest for ‘economic territory’, we have a removal of barriers between different ‘economic territories’, an opening up of the world to the free movement of globalized finance. Instead of inter-imperialist rivalries exploding even into global wars, we have a muting of such rivalries, a greater degree of common purpose of common purpose among the imperialist powers.”[101]

I thought Karl Kautsky was dead and gone along with the notion of ultra-imperialism. First of all, the concentration of production and finance has not ended the law of uneven development within nations or between nations, but has intensified the rivalries between multinational banks/corporation. Furthermore, advanced capitalism is unable to resolve the inherent contradictions within it and hence the imperialist drive for ever more super profit will eventually force imperialist forces head to head. Multinational corporations will always need the state to give their corporation the best economic advantage in the global world. The state can provide the economic advantage in the form of military encroachment, like the United States, or in the form of tariff like the People Republic of China.

When Michael Hardt and Antonio Negeri provides us a post-modern argument that

“From imperialism to empire and from the nation-state to the political regulation of the global market: what we are witnessing, considered from the point of view of historical materialism, is a qualitative passage in modern history.”[102]

Also, David Harvey said,

“But the reconciliation depends crucially on recognizing the fundamental political role of accumulation of dispossession as a fulcrum of what class struggle is and should be construed to be about…..Fortunately, in this, the umbilical cord between the two forms of struggle that lies in financial institutional arrangements backed by state powers (as embedded in and symbolized by the IMF and the WTO) has been clearly recognized.”[103]

Plus, Prabhat Patnaik’s notion that

“the nation-State of the country of origin, are of secondary importance today for its strategic behavior what we have instead is finance.”[104]

Patnaik, Hardt, Negeri and crew all suggest that imperialism of today is absent of nation state and governed by a higher global power- the IMF and WTO. These neo-imperialists strip the working class ideology from taking political power because the goal is located in the heavenly bodies of the IMF and the WTO. The neo-imperialists present a point that global capitalism is managed by the transnational capitalist class thru their instruments of financial institutions and protected by the US military powers. In other words, there are no contradictions or rivalries between international capitalists and all is peaceful now. The capitalists seek global harmony within the global capitalism system and punished rogue nations that do not play by their rules. This is Karl Kautsky's understanding of ultra-imperialism and neo-imperialists speak about the system by hiding the fundamental nature of the system-international oligopoly and finance dominated.

Conclusion

Without a clear understanding of today's imperialism, the working class and oppressed people of the world will be lost in the darkest of night. A worldwide revolutionary strategy is critical in light of sectarianism anarchistic and nihilistic answer to the greatest challenge of our time. The period of advanced imperialism demands that we develop a strategy that unite the lowest sector of the working class and oppressed people of the world in both peace and war times. The struggles for the right to self-determination, democratic and socialist revolution are the only solution to the challenge that stands before us. The human race stands at the abyss of mass destruction but only the oppressed people can save us all.

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