

“Rulers and Ruled in the US Empire”

Review of James Petras' most recent book

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James Petras is Binghamton University, New York Professor Emeritus of Sociology, whose credentials and achievements are long and impressive. He's a noted academic figure on the left, a well-respected Latin American expert, and a longtime chronicler of the region's popular struggles as well as being an advisor to the landless workers (MST) in Brazil and unemployed workers in Argentina. Petras is also a prolific author. He's written hundreds of articles and 63 books (and counting), published in 29 languages, including his latest one and subject of this review – “Rulers and Ruled in the US Empire.”

The book is information rich on a core issue of our time. It discusses the US empire's “systemic dimensions,” evolving changes in its ruling class, its corporatist system, myths about its coming collapse, contradictions in the current debate on immigration and market liberalization policies, the use of force and genocidal carnage, corruption as a market penetrating tool, the Israeli Lobby's power and influence, Latin American relations and events in the region, social and armed resistance, and much more in four power-packed parts under 17 subject chapter headings.

It's all covered below giving readers a detailed sampling of Petras' thoroughly documented, powerful and insightful account of his subject – who rules America, who's ruled, the US imperial role in the world economy and politics, and challenges to it in China, Latin America and the Middle East. This is another must-read book by a distinguished intellect and major figure on the left who writes dozens of them. This is his latest.

Part I: The US Empire As A System

Petras distinguishes between who sets policies and rules America and whose interests are served. He defines the ruling class as “people in key positions in financial, corporate and other business institutions” with rules “established, modified and adjusted” as the composition and “shifts in power” within the ruling class change over time. One example is manufacturing's decline (from outsourcing to low cost countries) as a “multidimensional financial sector” (finance capital) rose in prominence with Wall Street's influence especially dominant.

Petras defines “finance capital” to include investment banks, pension funds, hedge funds, saving and loan banks, investment funds and many other “operative managers” of a multi-trillion dollar economy they've all benefitted hugely from. They've been the driving force powering real estate and financial markets speculation, agribusiness, commodity production and manufacturing. Petras calls “finance capital” the “midwife” of wealth and capital as well as a “direct owner of the means of production and distribution.”

He stratifies it into three sub-groups from top to bottom in importance: big private equity bankers and hedge fund managers, Wall street executives, and senior officials of private and Wall Street public equity funds as well as major figures in top law and accounting firms. Political leaders are drawn from their ranks with Wall Street in the lead and one firm in particular standing out – Goldman Sachs. Today, its former CEO Henry Paulson is the de facto US economic czar in charge of proving doomsayers wrong about the US economy with Federal Reserve Chairman Ben Bernanke's money creation power partnered with him. Both of them must also navigate around the powerful Israeli Lobby and its pro-war agenda that could lead to catastrophic consequences if the US and/or Israel attack Iran and the Middle East explodes and disrupts oil flows.

Petras sees an inevitable split between wealth-first financial ruling class objectives and militarists in the Bush administration, their counterparts in Israel, and the Lobby representing Israeli interests with a stranglehold on most of Congress. The battle lines shape up over Israeli Middle East dominance at the cost of imperial overreach, an escalating trade deficit, a ballooning national debt, decreasing capital inflows to offset it, and a declining dollar as other nations move to euros, yen and pounds sterling. Something has to give, says Petras, as both sides support opposing agendas that only a crisis-provoking widespread backlash may resolve.

For now, however, things couldn't be better for the ruling class (despite their disrupted plans in Iraq and Afghanistan) with the top 2% of adults in the world owning half its wealth, the top 10% with 85% of it, and the bottom half with just 1%. The result is an unprecedented wealth disparity with corporate CEO's on average earning over 400 times the median income of wage and salaried workers, and for top-earning speculators and hedge fund managers the ratio is 1000 to one with some having incomes topping a billion dollars a year. In addition, corporate wealth was at a record 43% of 2005 national income accruing to profits, rents and other non-wage/salary sources compared to a declining percentage of it to individuals, except for those at the top gaining hugely.

Petras states: "The growth of monstrous and rigid class inequalities reflects the narrow social base of an economy dominated by finance capital" with the US redistributing far less to its people than other developed nations like those in Western Europe. Democrats are as culpable as Republicans with both parties tied to big monied interests through campaign funding and the power of lobbies. It makes everyone in the political power structure unwilling to change things so they don't. The result is working Americans suffer hugely while those at the top never had it so good. It signals warnings of a potential worker backlash ahead that for now have gone unheeded. Elitists ignore it at their peril, so far without negative consequences to their dominance, but watch out.

Capitalism or US Workers in Crisis?

Petras notes how for years many on the left and some in the financial community have been predicting the "coming collapse, decline or demise of capitalism" as though (for some) wishing would make it so. They're still predicting, but it hasn't happened, and Petras explains why not. It's because business and government partnered (especially since the 1980s) to let workers take the pain so business could gain and prosper. It's done it hugely and continues to despite the resurgent summer doomsday predictions still ongoing.

In a letter to clients, noted investment manager Jeremy Grantham explained why business is resilient by comparing the global financial system (with its US anchor) to a giant suspension

bridge. Thousands of bolts hold it together, so when some of them fail, even a lot of them, it's not enough to bring it down. Short of "broad-based....financial metal fatigue," even more bolts may fail, but he's betting the bridge will hold, supported by amazing "animal spirits," at least for now.

Grantham is likely right in the near term, while Petras takes a longer view, and his arguments are compelling. He sees labor today in crisis with living standards declining the result of reduced or eliminated business benefits, government services and stagnating wages. He also lists popular myths predicting doom ahead – the growing budget and current account deficits; ballooning national debt; excess speculation; weakening dollar; high energy costs; outsourcing of jobs at all levels, and more. Petras maintains these problems aren't as serious as claimed because:

- budget deficits declined in 2006 as tax revenues rose from high-end earners' greater income at the expense of labor getting less;
- foreign investment in the US remains high;
- the dollar remains the world's reserve currency; over time, it weakens and strengthens based on interest rates, political events, and the overall level of economic activity; nonetheless, the dollar weakened considerably after the Fed cut interest rates and depreciated to an all-time low against a basket of six of its major peer currencies that include the euro, pound and yen; in addition, the New York Board of Trade index hit its weakest level since it came out in 1973, and the same is true for the Fed's trade-weighted dollar index since its creation in 1971; what's ahead? Likely more of the same until everyone believes the dollar is dead; then, watch out;
- a decade-long trade deficit hasn't caused apocalypse;
- strong economic underpinnings (Grantham's giant suspension bridge) offset excess speculation, and workers, not capital, take the pain;
- high energy profits overseas are recycled back into dollar-based investments and have been for years although countries like Iran, Venezuela and others are moving away from the dollar at least for now;
- the potential of new technologies is underestimated;
- corporate profits have had their longest ever run of double-digit gains; the number of millionaires and billionaires is growing; the rich are becoming super-rich; and the beneficiaries are largely in North America, Western Europe (plus Russia) and Asia.

Petras concludes that as long as worker exploitation continues, the fundamental law of "casino capitalism" applies – the house never loses, or in this case the neighborhood (of developed nations) with some in it doing better than others and the US their anchor. The weakness of US labor and its history of overpaid, underperforming, corrupted leaders explains why with only 7.4% today in the private sector organized compared to 34.7% in the 1950s. Unless new social and political movements surface under activist leaders, Marx's "dirty secret" and Adam Smith's "vile maxim of the masters of mankind" will continue proving "the wealth of all nations" depends on the rich taking it "all for ourselves and (leaving) nothing for" the working class.

Market Liberalization and Forced Emigration

Migration and so-called illegal immigrants make headlines but never the reasons why that are two-fold: fleeing political strife (as in Iraq) or for economic reasons that the imperial globalized market system causes horrifically. The latter forces millions of Mexicans el norte because of NAFTA. Its disastrous effects on their lives leaves them no choice – emigrate or perish.

Petras explains when protective trade barriers come down, millions of small farmers and entrepreneurs are no match for the power of subsidized agribusiness, big manufacturers and corporate service providers. They're displaced when their livelihoods are lost, and that creates a huge surplus army of labor on the move and an opportunity for business to exploit for profit. It affects all skill types and levels (farm workers to computer specialists to doctors), undermines unions, and allows management to replace higher-paid US workers with low-wage immigrants at their mercy and getting little. Pay is kept low, benefits few or none, working conditions unsafe, unions weakened, and dare complain and be sent home.

Petras notes that as imperial power grows, "the massive movement of dislocated workers toward the imperial center multiplies," and there's no end in sight nor will there be as long as highly exploitative sectors like agriculture, construction and low-end manufacturing and services thrive on it. Workers lose and so do "sender" countries. They bore the costs of raising, educating, training and providing services for millions with "receiver" nations getting the benefits. It amounts to multi-billions in the form of critically needed skilled areas lost that include professionals like doctors, nurses, teachers and others. This won't ever change unless worker movements unite against it.

Empire-Building and Corruption

Petras notes how empire-building "is the driving force of the US economy (especially post-9/11)," corruption a key corporate predator tool to re-divide the world, and nations with the greatest firepower get the choicest slices. Business profit growth depends on exploiting overseas opportunities for their resources, markets and cheap reserve armies of labor with four so-called "BRIC" countries especially targeted:

- China for its cheap labor and opportunities in finance, insurance and real estate;
- India for its low cost information technology services;
- Brazil for its high interest rates that hit 19.5%, were then greatly cut, but are still around 11%; and
- Russia for its high profit oil and gas reserves, transport and luxury goods markets with booming opportunities in real estate once political leaders are bought off in a country rife with corruption as is China.

Petras notes that today over half the top 500 transnational corporations earn most of their profits overseas, and for many it's 75% of it. This trend will continue, he says, as these companies shift most of their operations abroad for greater cost savings. In addition, "political corruption, not economic efficiency, is the driving force of economic empire-building (with) the scale and scope of Western pillage of the East....unprecedented in recent world history." It's from business-friendly legislation on low wages, pensions, job tenure, land use, worker safety and health, all designed for maximum profit. Political leaders are

bought off to get state-owned businesses privatized, markets deregulated, wages kept low, with a huge reserve army of exploitable labor the payoff for “the US Imperial System.”

Hierarchy of Empire and Use of Force

Petras explains the US imperial system in terms of its “hierarchy of empire” rankings. Imperial powers top it (the US, EU and Japan) followed by emerging powers (China, Russia, India), semi-autonomous client regimes (Brazil, South Korea, South Africa), and collaborator regimes on the bottom (Egypt, Mexico, Colombia). Then come independent “revolutionary” (social democratic) states like Venezuela and nationalist ones like Iran as well as “contested terrain and regimes in transition (Iraq, Afghanistan, Somalia, Palestine).” Client regimes provide “a crucial link in sustaining imperial powers” by allowing them to project and extend their state and market reach.

One “anomaly” in the hierarchy is Israel. It’s a colonialist and nuclear power and world’s fourth largest military power and arms exporter that’s breathtaking for a country of 7.1 million and 5.4 million Jews. It’s influence over US Middle East policy, however, inordinately outweighs its size with Iraq exhibit A and Iran moving up fast. More on this below.

Petras notes the constant flux within the imperial system the result of wars, national struggles and economic crises. They bring down regimes and elevate others with examples like Russia, the Eastern European states, South Africa and Venezuela. It shows “no singular omnipotent imperial state....unilaterally defines the international or....imperial system (that in the case of the US) proved incapable of....defeating popular....resistance in Iraq and Afghanistan.”

Even in Somalia, a US proxy war is in trouble, but it’s too early to predict the outcome. The easy 2006 overthrow of the popular Islamic Courts Union (ICU) put an unsupported warlord regime in charge (that plundered the country from 1991 – 2005) with predictable results – strong resistance against the US puppet regime and its deeply corrupted Transitional Federal Government (TFG) “president,” Abdullahi Yusuf.

Washington backed a hated regime and an equally detested Ethiopian government that’s been “prop(ping) up its Somali puppet” with a lift from US-supported force. Earlier in 1993-94, the Clinton administration’s intervention failed. It spawned mass opposition, took thousands of Somali lives in retaliation, and ended in defeat and a humiliating US pullout. That may repeat despite Washington’s establishing an African Command (AFRICOM) to solidify its hold on the continent and its strategically important Horn. So far, it’s very much up for grabs with US presence in the region unwelcome and greatly destabilizing. The “empire” never learns, so it’s on to the next target that looks like Iran. More on that below.

Imperialism and Genocide

Petras explains how Korea, Vietnam and other wars hid their true cost in lives, devastation and human wreckage. It’s the way of all empires sweeping over populations like crabgrass. It becomes “an accelerating predisposition to genocides to accomplish political aims,” and in an age of “shock and awe,” it can come with “awesome” speed. An example is from the latest O.R.B. British polling data reporting 1.2 million Iraqi deaths since March, 2003 alone plus another 1.5 million up to that date. The true toll may be even higher with huge uncounted numbers of daily violent and non-violent deaths that one estimate by Gideon Polya places at 3.9 million from 1990 to the present. No one knows for sure, and his

estimate may be as good as any other. All of them are horrific.

Petras notes the “quantity” of killings elsewhere – six million Jews and 20 million Soviet civilians in WW II as well as 10 million Chinese civilians in Asia. He explains genocide as policy from a “state (promoted) racist-exterminationist ideology (as well as from) an historical antipathy of one culture to another.” This allows ruling classes to legitimize their ideology and achieve “uncontested dominance” and ability to economically exploit domestic and overseas markets. An omelet requires breaking eggs. Mass human slaughter is the frequent fallout from consolidating empires with living beings having no more worth than egg shells.

Genocides also result from revolutionary challenges to unpopular puppet rulers with Korea, Indo-China and Iraq Exhibits A, B, and C. Up to eight million perished in Asia, and three (or maybe four) million could be reached in Iraq in 2008 at the present pace. There’s no end to it in sight with billions funding it, and no reporting on the carnage in the mainstream.

Petras reviews examples of imperialism becoming genocide with the Reagan administration alone responsible for its share. It committed multiple proxy genocides in Africa, Afghanistan and Central America, but you’d never know it from reports at the time about a president being prepped for Mount Rushmore with a spot for George Bush beside him until Iraq got him in trouble.

Another unreported genocide is Israel’s six decade-long crusade against the Palestinians with predictable results. It caused many thousands of deaths, mass population displacement, and excessive use of detentions and torture to deny a people freedom and justice in their own land. The policy continues because Israel has a powerful ally in Washington and an even more influential Lobby working on its behalf. More on that below.

Petras notes genocides are “repeated, common practices,” impunity for committing them the norm, and no effective international order is in place to stop them. Victors justice prevails so victims face kangaroo tribunals like the ICTY for Yugoslavia and the equally corrupted one for Iraq. Genocides will only end when imperial powers are defeated and their leaders held to account for their crimes, but that goal is nowhere in sight.

The Global Billionaire Ruling Class

The number of world billionaires reached 946 in March, 2007, they have an estimated combined wealth of \$3.5 trillion, and over half of them are in three countries – 415 in the US, 55 in Germany and 53 in Russia where never did so many people lose more so a handful of others could gain so hugely in so short a time. India ranks high as well with 36 billionaires with China next in the region at 20. The number of millionaires exploded as well with close to 10 million in 2007, and in 2006 their numbers grew by an estimated 8.3%.

Balzac was right saying behind every great fortune is a crime (and most often a small fortune as seed money) but likely nowhere more rapaciously than in Russia. Petras notes “Without exception, the transfers of (state) property were achieved through gangster tactics – assassinations, massive theft, and seizure of state resources, illicit stock manipulation and buyouts.” They strip mined over a trillion dollars of Russia’s wealth into private predatory hands who, in turn, stuffed them in offshore accounts. It happens everywhere with the US exhibit A. The Rockefellers, Morgans, Fords and Carnegie’s didn’t amass wealth by being neighborly or nice. They got it the old-fashioned way – by strong-arming and stealing.

In developing countries, it came faster under Washington Consensus rules favoring capital over people with billionaires coming out on top. Latin America has 38 of them, mostly in Brazil (with 30) and Mexico (with industrialist Carlos Slim Helu now the world's third richest man). These "two countries.... privatized the most lucrative, efficient and largest public monopolies," and benefitted hugely from regressive taxes, tax exemptions, deregulation, big subsidies, and the ability to hike prices and make vital services unaffordable to millions who can't pay for them.

"How to become a billionaire," Petras asked. No need for an MBA or market savvy when the "interface of politics (aka friends in high places) and economics" works much better. The road to super-riches came from privatized state assets that began with bloody military coups in Latin America. In countries like Chile, Colombia and Argentina, results were always the same – great riches at the top, stagnant economies, vast poverty, high unemployment, two-thirds of the region's population with "inadequate living standards," and the long shadow of US involvement backing military dictators, business elites, and neoliberal politicians to assure lucrative ties to corporate interests in America. More on this below.

Part II - The Power of Israel and Its Lobby in the US

Petras covered how the Israeli Lobby defeated the Jim Baker Iraq Study Group's (ISG) proposal released December 6, 2006. Its alternative US Middle East agenda lost out to the Israeli Lobby's influence on Congress, a massive supportive propaganda campaign in the major media, and Israeli Prime Minister Ehud Olmert being as able to "have the US president under our control" as Ariel Sharon once boasted.

For a time it looked like the ISG plan would prevail with top Bush advisors recommending dialogue with Iran; high-ranking military, active and retired, wanting a phased withdrawal for a failed effort; and the Army, Navy and Marine Corps weekly publications wanting Defense Secretary Rumsfeld sacked shortly before he resigned. Even Big Oil interests backed Baker because stable conditions favor business more than conflict (at least to pump oil), and that won't happen without a change of course now off the table.

Iran wants rapprochement as well but not on the usual US terms – making demands and offering nothing in return. Iran's objectives are simple and reasonable – normalized relations and an end to Washington's confrontational stance and military threats. They're off the table because the "Israel-First power structure (Lobby-Congress-Mass Media-Democratic Party Donors)" reject them. Syria is just as compliant, but its overtures are also rebuffed for the same reason.

Petras explained that AIPAC wants war with Iran as its top priority objective. In addition, the publications, conferences and press releases of the Conference of Presidents of the Major American Jewish Organizations (CPMAJO) asked their members "to go all-out to fund and back candidates (mostly Democrats) who supported Israel's military solution to Iran's nuclear enrichment program" even though IAEA agrees it's in total compliance with Nuclear Non-Proliferation Treaty rules while Israel violates them with impunity.

In the end, Prime Minister Olmert co-opted George Bush, got him to reject the ISG proposal and ally with Israel's aim to solidify its Middle East dominance by removing a non-existent Iranian threat with Syria also targeted. In many respects, this flies in the face of logic as many influential US figures know. Petras believes Iran is a key interlocutor for a Middle East settlement that might let Washington retain its strategic Arab allies. Tehran is willing to

cooperate but not when its government is lumped with Al-Qaeda, the Taliban and Iraqi resistance and is being threatened with war. That's the current condition with renewed Bush administration efforts to prep the public to accept more of it if it comes.

Hamas also has been conciliatory. Its leaders made two peace proposals as a show of good faith, is willing to recognize Israel if Palestinians get justice, pledged a cease-fire in the face of Israeli attacks, and was rebuffed with rejection and an Israeli blockade of Gaza along with frequent hostile incursions. Conflicts rage in Iraq and occupied Palestine, more war threatens in Iran, and the road to peace in the region runs through Jerusalem providing Washington concurs. But it's not possible, in Petras' judgment, unless foreign military bases are closed, there's public control or nationalization of the region's resources, and Israel ends its colonial occupation of Palestine. So far, those objectives are nowhere in sight.

The Lobby and Media on Lebanon

In Petras' powerful 2006 book, "The Power of Israel in the United States," he documented how this power derives from a vast pro-Israel Lobby in the country supporting all aspects of its agenda. It's position is firm - "Israel is always right, Arabs and Muslims are a threat to peace," and the US should unconditionally support Israel across the board. In Petras' view, that's the main reason why the Bush administration attacked Iraq and may now target Iran and Syria. Israel perceives these countries as threats, Washington seems willing to remove them, and a chorus of media-driven propaganda approves.

They always support Israel and jumped right in last summer backing "Operation Change of Direction" against Hezbollah and "Operation Summer Rain" against Hamas that caused many hundreds of deaths and mass destruction. It was all papered over in the major media and characterized as Israel's "defensive, existential war for survival against Islamic terrorists." It was pure baloney. In fact, and unreported, Israel launched dual long-planned aggressive wars with Hezbollah's capture of three IDF soldiers in Lebanon the pretext and Hamas taking one Israeli corporal the justification in occupied Palestine. Never mentioned are the many thousands of Palestinians illegally abducted, imprisoned and tortured, and that unprovoked aggressive wars and their fallout are war crimes and crimes against humanity.

Also unmentioned is that if Hezbollah and Hamas hadn't provided the pretexts, Israel (as it's often done) would have manufactured them to launch its summer aggression. With full US support and backing from its Lobby and dominant media, these type actions continue at the expense of their victims with US taxpayers duped into funding them generously.

US Empire and the Middle East

Petras notes key factors help explain US Middle East policy that in his judgment are "challenged from within and without, are subject to sharp contradictions," and are likely to fail.

First, is the influence of the Israeli Lobby he documented powerfully as have Mearsheimer and Walt in their work. It's likely the most potent lobby in Washington and can practically mobilize the entire Congress, every administration and the dominant media to back pro-Israeli policies even when they run counter to US corporate interests that in Middle East means those of Big Oil primarily.

The Lobby wanted war with Iraq and got it. Now its top priority is stiff sanctions and war on Iran, and if the orchestrated media hate frenzy targeting President Mahmoud Ahmadinejad's Columbia University address September 24 is an indication, it may get it. As Petras notes, the Lobby's fanatical support for Israel is so extreme and uncompromising, it's even willing to risk world war and economic collapse to get its way.

Another key factor is the US ability to enlist and co-op client states and proxy forces to serve our interests – the Kurds in Northern Iraq; the Abbas-Dahlan Fatah militants in Palestine; the Sinoria-Hariri-Jumblat pro-US/Israel, anti-Syria/Hezbollah/Hamas alliance in Lebanon; Mubarak in Egypt; King Hussein in Jordan; pro-US regimes in Turkey; the Saudis and others.

Petras then explains how the Israeli Lobby's influence runs counter to the US "Arab agenda." It shows up in Washington's failure to construct a NATO-style power-sharing alliance in the region, except for Turkey and Israel, and the former may not prove solid. The Iraq policy has been disastrous, each tactic tried failed, resistance is unabated, the Arab street overwhelmingly rejects occupation, and Arab leaders offer tepid support.

Petras calls Washington's permanent war strategy (next targeting Iran and Syria) "an irrational gamble comparable to Hitler's attack on Russia" that doomed him. Today in the Middle East, attacking these two countries may only compound the Iraq failure with "greater defeats, greater domestic rebellion" and still more wars without end promising gloomy prospects ahead.

Part III - The Possibility of Resistance

Petras discusses China and the "general consensus (it's) emerging as the next economic superpower" to challenge US dominance. Petras expresses doubts that can only be summarized briefly. He notes Chinese capitalism not only depends on growth and the ability to generate jobs, but also on "the social relations of production, circulation and reproduction." They come at a high price – ferocious labor exploitation, rampant corruption and nepotism, mass small farmer displacement, firing millions of workers from state-owned and bankrupt enterprises, ending social services, and higher living costs increasing class warfare in the streets against billionaire kleptocrats and foreign investors profiting hugely at the expense of most Chinese.

Petras then distinguishes between "made in China" and Chinese-owned and whether the former enhances China's growth or foreign investor profits instead. He sees China taking on "features of both a neo-colony and an emerging imperial power," but mostly the former. He notes the standard of living for most Chinese "declined precipitously;" air, water and ground pollution greatly increased; the quality of life for most Chinese suffers; class inequalities are vast; and gains from a consumerist society for a minority of the population are offset by dirty air, loss of leisure, job security, near rent-free housing, state-provided health care and education, deteriorated working conditions and more. Paradise it's not, at least for workers, and conditions aren't improving.

Petras then discusses China's transition from state to "liberal" capitalism. As it deepened, trade barriers were dismantled; protective labor laws abolished; price controls lifted; the countryside ravaged; a massive new army of unemployed workers created; and an export-driven market strategy followed. The result today is a new class of billionaires and about 2900 former party "princelings" who control around \$260 billion of wealth. In addition, property, real estate and construction boomed, an export strategy concentrated

development on coastal regions, and domestic consumption is relatively constrained.

In contrast, “millions of construction workers, miners, domestic servants and assembly-line workers (labor) under the most abominable conditions” – long hours, low pay, awful sanitary conditions and little regard for safety in an unregulated environment structured for maximum profit. China today is a “magnet for capitalists and investors worldwide,” a free market paradise that’s hell on workers paying hugely for the country’s marketplace “success.”

Petras envisions China’s capitalism deepening and mainly benefitting foreign investors. He sees their “initial beachheads as minority shareholders” extending into production, distribution, transport, real estate,

telecommunications, consumer goods and services, entertainment, finance and more and eventually gaining more control. As a result, he believes China’s next great leap forward will be from liberalism to neoliberalism, the country will lose its national identity, it will become a “territorial outpost” for foreign-owned transnationals, and the country’s bid for world power status will be subverted.

Petras sees 21st century China emerging as a “gigantic proxy for imperial powers,” but China won’t be one of them. Its “Great Leap Backwards” will be consummated when the nation’s “share of profits shifts from the national bourgeoisie” to foreign investors in a process now accelerating.

But it won’t come easily as a new generation of China’s leaders may stop or curtail it. In addition, growing mass resistance has now emerged for obvious reasons cited above. Already, close to 100,000 mass demonstrations have occurred involving millions of Chinese protesting a workers’ hell. Social crisis is deepening, class struggle has returned, and the government has taken note. It’s beginning to address concerns but giving back pathetically little considering China’s massive population. Petras calls these remediating actions “too little and too late.” Ahead he sees decentralized protests becoming organized urban worker movements that when joined with displaced farmers may set off a new rebellious period. This may then blossom into “a new revolutionary struggle” that will determine China’s future and its climate for investors.

The US and Latin America

Petras has studied Latin America for decades and knows the region as well as anyone. Here he dispels notions of a revitalized regional populism with US dominance waning. His case is compelling as he argues Washington’s influence has increased in recent years (though not to the level of the 1990s) despite the success of Hugo Chavez and his ability to thwart US efforts to unseat him.

The Bush administration lost out on FTAA but has had other successes:

- bilateral trade agreements with numerous Latin American states from the Caribbean to Chile;
- an expanded number of military bases despite the possible loss of one in Ecuador ahead;
- US business interests in the region flourishing, including in Venezuela where they’re booming; and

— neoliberal free market policies intact despite campaign rhetoric promising change.

Aside from Venezuela and maybe Ecuador (where it's too soon to tell), the left's appraisal of progressive change is nowhere in sight, so what are they seeing that's not there.

Petras assesses the current state of things in the region after reviewing its recent history readers can get from the book. He notes signs of Washington's declining influence that's had no adverse affect on corporate interests except in Venezuela where taxes are now fair compared to earlier when they were too low. He also explains so-called center-left regimes in Brazil, Argentina, Bolivia, Uruguay and elsewhere tamed mass social movement demands while embracing 1990s neoliberalism. In Brazil, in fact, President Lula da Silva actually deepened and extended the privatization and restrictive budget policies of the preceding Cardoso regime, and despite his Workers Party background, demobilized mass movements and trade unions instead of supporting them as people expected. Many now see him for what he is – a traitor, but sadly, he's got company, too much of it.

Of great significance is the way Petras explains four competing regional power blocs representing varying degrees of accommodation or opposition to US policies and interests.

1. The Radical Left

It includes:

- the FARC guerillas in Colombia (active since 1964); some trade union sectors; and peasant and barrio movements in Venezuela;
- the labor confederation CONLUTAS and sectors of Brazil's Rural Landless Movement (MST);
- sectors of the Bolivian Labor Confederation (COB) and the Andean peasant movements and barrio organizations in El Alto;
- peasant movement sectors (CONAIE) in Ecuador;
- teachers and peasant-indigenous movements in Oaxaca, Guerrero and Chiapas, Mexico;
- nationalist-peasant-left sectors in Peru;
- trade unionist and unemployed sectors in Argentina; and
- other Central and South American social movements and some Marxist groups in several countries.

2. The Pragmatic Left

- Hugo Chavez in Venezuela who combines grassroots participatory democracy and redistributive social policies with support for business interests;
- Evo Morales in Bolivia;
- Fidel Castro in Cuba;
- various large electoral parties and major peasant and trade unions in the region; leftist

parties including the PRD in Mexico, FMLN in El Salvador, CUT in Colombia, Chilean Communist Party, Peru's nationalist parliamentary party, sectors of Brazil's MST, Bolivia's MAS governing party, CTA in Argentina, and PIT-CNT in Uruguay.

3. The Pragmatic Neoliberals (the most numerous political block)

- Lula in Brazil;
- Kirchner in Argentina;
- the major trade union confederations in Brazil and Argentina;
- business and financial elite sectors providing subsistence unemployment doles and food aid; and
- similar groups in Ecuador, Nicaragua (the Sandinistas and their split-offs), Paraguay and other countries.

4. The Doctrinaire Neoliberal Regimes

- Calderon in Mexico;
- Uribe in Colombia;
- Bachelet in Chile (in spite of her being imprisoned and tortured under Pinochet);
- the Central American countries: El Salvador, Honduras, Costa Rica and Guatemala;
- Garcia in Peru;
- Paraguay with the region's largest military base;
- Uruguay's ex-leftist regime now rightist;
- US-occupied Haiti through proxy thuggish paramilitary UN peacekeepers; and
- the Dominican Republic.

The notion that populism swept Latin America in the new century is pure fantasy. In fact, there's a "quadrangle of competing and conflicting" regional forces with Washington having less market leverage than in the 1990s "Golden Age of Pillage" but still enough to be dominant and able to keep business flourishing.

Petras continues his analysis with detailed examples of key center-left regimes in Brazil under Lula, Argentina under Kirchner, Uruguay under Vazquez, Bolivia under Morales plus some comments on Peru and Ecuador under leaders preceding their current ones. Each case substantiates the fantasy that these regimes represented "new winds from the Left" sweeping the region. Hot air maybe, but little, if anything, in the way of progressive change despite the beliefs of many intellectuals on the left.

However, that's not to say leftist forces aren't strong enough to bubble up and bring change. Insurrectionary forces brought Evo Morales to power in Bolivia and can take him down if he fails them as he's now doing. The same is true in other countries with Hugo

Chavez their model. He challenged US imperialism, brought real social change, has mass public support and thus far withstood US efforts to oust him. In Cuba, Fidel Castro thwarted every Washington effort against him since 1959 and is still in charge, larger than life, although frail and weak following his protracted illness from which he's still recovering. Petras sees a new generation of young committed leaders emerging in the region. "They are the 'Left Winds' of Latin America," and it's in them that hope lies.

Foreign Investment (FI) in Latin America

Petras demystifies FI's impact, explains the risks in attracting it, and exposes six myths about its benefits.

Myth 1.

It's untrue FI creates new enterprises, market opportunities and more. Most, in fact, aims to buy privatized and other enterprises while crowding out local capital and public initiative.

Myth 2.

FI doesn't increase export competitiveness. It buys mineral resources for export with little done to create jobs or stimulate the local economy.

Myth 3.

It's false to think FI provides tax revenue and hard currency. An FI export model creates more indebtedness and a net loss.

Myth 4.

It's false believing debt repayments to international lenders is key to a good financial standing. Much foreign debt is odious and repaying it harms borrower countries.

Myth 5.

It's false believing FI provides developing countries needed capital. It's used instead to buy local companies and control a country's markets.

Myth 6.

It's false believing FI attracts further investment. Capital freely moves to wherever it gets the best returns and is anchored nowhere.

Developing countries benefit most by relying less on FI and more on national ownership and investment. The former is predatory. The latter accrues profits to the national treasury and grows the country's economy. FI demands conditions favoring capital over labor that results in a widening economic gap and greater inequalities in political and social power. The 20 year (1980 - 2000) record of Latin American FI is socially disastrous. Living standards plunged while unemployment and poverty soared. Hardly reasons to attract it and clear ones to stay away or restrict it.

Part IV - An Agenda for Militants

Petras considers FI economic alternatives and ways to buck its strategic countermeasures.

FI generally threatens disinvestment when a country wants to enhance its own economy and benefit popular living standards. Hardball tactics cut both ways, and the state can use its own effectively to counter capital flight threats as well as adopt policies in advance serving its needs first ahead of those FI wants to have things its own way.

Petras notes that FI “is incompatible with any notion of an independent, socially progressive country” even though at times it can be useful in a regulated environment controlling it. He explains a country’s own financial and economic resources can be used instead of FI to enhance its internal development and technological advance by reinvesting profits from export industries; controlling foreign trade to increase retention of foreign exchange; investing pension funds productively; imposing a moratorium on debt payments; recovering stolen public treasury funds and unpaid taxes; maximizing under-employed labor, and more.

Most countries can avoid FI by relying on multiple sources of its own capital. They can also employ alternative effective strategies when outside help is needed by minimizing its ownership, employing short-term contracts on favorable terms, imposing stiff penalties on capital flight, and barring it from returning if it leaves. Petras concludes: “The historical and empirical evidence demonstrates that the political, economic and social drawbacks of (FI) far exceed any short-term benefits perceived by its defenders.”

The Middle Class and Social Movements in Latin America

Petras observes that middle class attitudes in the region depend on the “political-economic context” confronting it. It’s attracted to the right under expanding right-wing regimes and to the left in times of economic crisis. On the other hand, under a “popular, anti-dictatorial, anti-imperialist populist government, the middle class supports democratic reforms” but not radical policies harming it for the benefit of the working class. Three examples make his case – in Brazil under Lula when it took over his Workers Party; in Argentina when it benefitted under Menem and Cardoso and later under Kirchner; and in Bolivia under Morales who combines “political demagoguery” to his base and neoliberal IMF austerity in his policies attractive to middle class and business interests.

Petras notes social movements failed by not developing political leadership or a program for state power and depended instead on “electoral politicians of the upwardly mobile professional middle class.” The Left’s key challenge, he believes, is to “convert the public sector middle class from anti-neoliberalism to anti-capitalism and anti-imperialism, and to combine urban welfare (with) agrarian reform.”

Iraq and Afghanistan’s Importance in Defeating the Empire

Petras concludes by noting Washington’s imperial wars were stopped in their tracks in Iraq and Afghanistan by resistance too powerful to contain. A “shock and awe” blitzkrieg failed when Iraqis wanted a say in running, rebuilding and transforming their country and rejected its US-installed puppet regime. The country is a wasteland, the nation creation project bankrupt, and the prospect for success bad and worsening with multi-billions expended and nothing gained except huge profits for administration favored contractors that always benefit whoever wins or loses.

The same situation holds in Afghanistan. An easy five week walkover turned into an endless debacle with no end in sight. Washington planned successive wars for unchallengeable world dominance, but local resistance in two countries stopped it cold (so far), may defeat

its proxies in Somalia, and resilient opposition in Palestine and South Lebanon may prove equally formidable as well.

The US is now over-extended and its "imperial grand strategy" weakened. It's made preemptive wars against Iran and Syria and trying again to topple Hugo Chavez less likely, but none of these possibilities are off the table. Cornered and facing defeat, rhetoric is heated making anything possible, and the September 20 Lieberman-Kyl "Sense of the Senate" (no legal force) resolution/amendment to the FY 2008 Defense Authorization bill ratchets up the possibility of attacking Iran and its regional "proxies" with potentially catastrophic fallout the risk.

For now, emboldened resistance and strong anti-war opposition are matched against an administration desperate to turn things around and willing to try anything to do it. How this may end is a crapshoot, the stakes on its outcome too great to risk but may be waged anyway, and the world trembles as it waits and watches. Stay tuned and hope Petras is right believing Iraq and Afghanistan thwarted the empire and prevented further aggression against Iran and beyond, now off the table. Or maybe not. When wounded and cornered, desperate animals and politicians may try anything with nothing to lose. Keep a close watch.

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