

World Political Economy

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The recent political events in the US have inspired me to take a long term view. Karl Marx, who published the first volume of his major work *Das Kapital* 150 years ago this year, described the nature of economics and its relation to psychology and sociology. He proposed that ****in general**** the central, most important factor in the way societies are organized and people think—their ideology—is their relation to how they make a living. If the society is mainly agrarian, the people have a rural, farmer's worldview and corresponding social structure. If they are nomad herders, they have different views and social organization. Similarly for feudal structures, mercantilism and industrial capitalism. In the latter three, class becomes determinative of worldview. Hence, ****in general**** workers have different opinions from owners; service workers view the world differently from factory workers, educated elites and shareholders think differently, etc.

If you think about it, this makes sense. We *generally* view the world in relation to how we relate to the earth, or fail to have a relation with the earth and rather relate to an office, how we earn our living, spend our time to make money in order to support ourselves and our families.

He also described the evolution of capitalism. In a nutshell, small companies are more subject to the fluctuations of market demand and supply chain disruptions, hence are more likely to become weak, or even to fail. Larger companies have reserves to buffer against these variations. Hence, the larger companies buy the smaller ones, and get larger. Recessions and depressions accelerate this consolidation. The consolidation crosses national boundaries.

Question: are their countries? If yes, how long will they last?

Proposed answer: Yes, but not for long.

Today, multinational corporations (MNCs) control around 30% of the world's economy. There are around 75,000 MNCs, but the top 500 control most of that amount, and the top 50 control a third of that. The top 50 employ 20 million, which is still only 1% of the global workforce.

That snapshot should be informed with the enormous and steady growth of MNCs over the past century, and the huge growth in international trade as a percent of world gross domestic product (GDP). GDP is the sum of all goods and services. International trade is estimated to be 22% of world GDP. World GDP is around \$80 Trillion. And it has been growing drastically. Even in just the first 12 years of this century world merchandise exports nearly doubled; though they dropped significantly during the financial crises, they returned within a year.

About a third of international trade is intrafirm transactions, which are flows of material, goods or partly finished parts, e.g. cars and machinery, between subsidiaries of the same parent firm.

Hypotheses: Other things being equal (e.g., no major catastrophies),

1. trade will continue to grow as a percent of GDP;

2. GDP will continue to grow; and
3. corporate conglomeration will continue to grow.

There are objective conditions that determine this evolution. Eventually, there will be many fewer MNCs controlling the great majority of the world's economy.

Where do governments—the defining control structure of countries—come into this picture? Governments have always been at the beck and call of business, since they would not have any money to govern with if there were no businesses or workers to tax. As fewer and fewer companies control more and more of the world's economies, governments will be further responsive to fewer people and more defined influences. Business needs order, hence as this situation evolves the chance of wars will decrease.

Where do us normal, downhome folks come into this picture? What about liberty, equality and fraternity?

There has always been a tension between governments and the governed, and between the owners of capital and labor, although the relationships are complex. The bottom line, as shown repeatedly throughout history, is that no one will ever *give* people their rights. Rights are not offered; they are taken. That is the function of labor unions and similar organizations, political pressure groups representing us normal folk, civil disobedience, voting (apparently a radical idea for some), and, when all else fails, revolution. Revolution, however, is always worse than imagined, hence is to be shunned. Peaceful, grassroots work is how we will protect ourselves from the possibilities of radical conservatism that we are currently witnessing. This *turn to the right*—which is an international movement—is a suggested distortion of the evolution of capitalism, a slight diversion in the progress of conglomeration. However, I suggest that such progress cannot be stopped, and international trade will continue to grow and become more and more concentrated as governments become less relevant.