Race and the Global Political Economy

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Recommended Citation
Available at: http://dh.howard.edu/newdirections/vol14/iss3/7
Last September, news reports informed the world that the prime minister of Japan, Yasuhiro Nakasone, had attributed to the number of minorities in the US. — specifically Afro-Americans, Puerto Ricans and Mexicans — the reason for a claimed lower intelligence level on the part of Americans when compared with Japanese.

Reactions to the reported statement were immediate, with some commentators emphasizing the fact that Japan had become rather certain of itself and that the prime minister's statement only reflects the country's growing pride in its economic and technical achievements. Some commentators posited Tokyo's 250 years of the Tokugawa Shogunate — which closed Japan's doors to foreigners and helped to foster among Japanese a sense of uniqueness — while others contended that the offending statement bespeaks the perception on the part of many in Japan that the latter's former mentor, the United States, is a nation in decline, that is "riddled with social and economic problems."1

There is another position — one that looks to the subnational. Here reference is made to the intolerance that some Japanese allegedly exhibit toward minorities, the Koreans for example. It is argued, Nakasone's statement is symptomatic of the attitudes which inform that claimed intolerance. Further, the subnational focus holds, while the national government itself may not advocate it as an outlook, there is a sense among many Japanese that the post-war economic success of their country is directly related to Japan's ethnic homogeneity.2

The two orientations which have characterized the reaction of commentators, both in the U.S. and Japan, share two common properties: they imply that the prime minister of Japan made a racial slur against America and some Americans, an implication which Nakasone in his official apology to the U.S. government denies.3 Secondly, they do not question the validity of the claim contained in the reported statement, as if there were a tacit agreement that the claim is accurate but was in poor taste to have publicly asserted it.

Regardless of the importance of the above speculated-on motives or forces that may have caused the troubling statement, the issue of central significance is being overlooked. And that is: the issue of race in the contemporary global political economy. This essay will focus on the race issue after a brief historical sketch in which the U.S., because of its dominant role in the global economy since 1945, will be featured.

Pre-1945
One need not recapitulate here the role of race in supporting the enslavement of Afro-Americans or in shaping the political economy of the United States. One, however, should recall that after the Civil War — especially in the 1880s and 1890s — there was considerable debate in the U.S. about what the sociopolitical standing of Blacks should be. Although they could not be regarded as the equal of whites — the legal principle of equality before the law notwithstanding — the labor of Blacks was a necessary predicate to economic advancement for all. The answer to this dilemma resided in a form of benevolent accommodation — one which would allow industrial training for Blacks, a measure of disapproval on their being physically abused, including being lynched, and formalized racial division. Added thereto was the call for cooperation between leaders of the two racial communities to promote improved race relations, which became more pronounced during and after World War I.

Paralleling the above development were two others: the fear of assimilation between the races at home; the concern for the type of racial relationship that the U.S. would have to entertain abroad if her economic ambitions were to be adequately satisfied.
In case of the former, which expressed itself in terms of “homogeneity,” “racial purity,” or “racial integrity,” it was a fear among whites that the race to which they belonged could undergo a form of debilitating stagnation. Why? Blacks were said to be inferior in such fundamental qualities as intelligence, enterprise, initiative and creativity. Since these differences between the races were perceived to be permanent, the mixing of the races through intermarriage could only result in an increase in the intellectually inferior and the erosion of the prospects for the progress of the American civilization. 

(A minority viewpoint, which one author calls cultural environmentalism, contended that the differences were not genetic — “permanent” — and could be eliminated over time to ensure an equalitarian society).

In the case of international relations, the domestic racial sentiments in the U.S. found strong expression, but in a more complex form. On the one hand, one finds the settled aversion to mixing with non-white races south of the Rio Grande — “Latin race mixed with Indian and African blood.” It was this aversion which, in large part, informed the decision of the U.S. not to incorporate all of Mexico in 1848 and which, in the 1870s, effectively undermined President Grant’s efforts to annex the Dominican Republic.

On the other hand, one finds a restless nation in the 1890s, especially after the panic of 1893-94, which is being told that the U.S. is threatened with decline unless it expands and meets an emerging economic competition that all vigorous nations must win if they are to survive. (These were the last days of Europe’s partition of Africa, of European, Russian and Japanese expansion into China, and the Spanish empire.) Indeed, from the political rhetoric of Theodore Roosevelt to the scholarly pen of Brooks Adams, one finds the same counsel.

For Roosevelt, the U.S. could not avoid taking Hawaii, Cuba, Puerto Rico, and the Philippines. In the 20th century, with the emergence of many nations, if the U.S. stood idly by and sought “ease and ignoble peace,” he claimed, or if it shrank from “the hard contests where men must win at the hazard of their lives . . . then the bolder and the stronger peoples will pass us by, and will win for themselves the domination of the world.”

For Adams, the energy of a vigorous people — Americans as well as others — is manifested in war or economic competition; and when a centralized society “disintegrates under the pressure of economic competition, it is because the energy of the race has been exhausted.”

Was the U.S. disintegrating or was it possessed of the requisite vigor to challenge others?

Those who sought expansion won. But it came in the face of considerable pessimism over the perceived challenge which the non-white races would pose to the “Anglo-Saxon races” (in the U.S. this phrase was frequently used) and to those of the Christian faith. The pessimism was warranted for people like Edgar Murphy, a leading accommodationist. He noted that everywhere the former “coalition of weaker groups is being broken up, and the inferior peoples are being . . . reorganized . . . (into) stronger aggregates; and that the co-existence of whites and non-whites under such conditions posed problems of vast proportions — “problems of the strong living with the weak . . . so living as to assure peace without afflicting desolation, as to preserve order without defeating justice, as to uphold a state which will express the life of the higher group without enfeebling or destroying that waiting manhood of the weaker peoples which itself craves and deserves expression.”

Murphy’s solution and the one followed by the U.S. was to replicate abroad what was practiced at home: benevolent accommodation, not equality. So the people of Hawaii, Panama, Puerto Rico, and Cuba, for example, would be helped to acquire minimal skills — skills necessary to help the U.S. deal with economic competition with other countries; and indigenous leaders would be recruited to collaborate with their white counterparts to urge racial harmony and solidarity. In no case, however, would the notion of equality be accepted. This was the operating policy from the 1890s — one that also guided President Wilson.

As the moral and political leader at the
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Jensens thesis induced or was induced by correlated with prejudice.' Economic dissatisfaction are all positively and increasing welfare expenditures, to conflicts emerged within unions whose arose over affirmative action programs. For a New International Economic Order national standard of living; and the following economy to its foundations, threatening the one in which, among other things, material downward mobility, periods of unemployment and depression as well as general economic dissatisfaction are all positively correlated with prejudice.20

The preceding does not suggest that Jensen's thesis induced or was induced by these developments. Rather, it merely coincided with and was part of what was taking place — restoring racial sentiments to the public forum in which they were always present but not always visibly active.21

The U.S. came out of World War II determined to use its economic advantage to structure the global economy to its benefit. The latter, according to Dean Acheson, who later became secretary of state, could be achieved by looking outside the U.S., "to other markets and those markets are abroad." In more concrete terms, William Clayton, assistant secretary of state for economic affairs, told a congressional committee in March 1945 that if the U.S. wanted a relatively high level of employment and a national income in the neighborhood of $150 billion, it would have to sell about $10 billion worth of goods. "In other words," he said, "we've got to export three times as much as we exported before the war if we are to keep our industry running somewhere near capacity."22 (This near capacity would allow for a high level of employment). But how, in specific terms, were such goals to be realized? Through something called multilateral trade, of course.

The latter, in combination with the World Bank and the International Monetary Fund — frequently called the Bretton Woods system after the place in New Hampshire where the 1944 Monetary and Financial Conference took place — entailed a two-pronged approach. The Fund, for example, was to ensure trade stability by providing needed foreign exchange; and the Bank was to improve the climate for international investment.

The main thrust, however, entailed a two-pronged approach to global economic relationships: 1) breaking down all exclusive economic ties which states had previously arranged among themselves; 2) opening up all sectors of a nation's economy to private enterprise in such a way that all other nations would have an equal chance to enter into trade and other relations with it. Because the U.S. was the most powerful nation (and the one least negatively affected by the war), that equality was really unequal.

The reasoning in Washington was that in an economic system as the one it sought to create, while others would derive some benefits, the U.S. would enjoy the most. Indeed, this was true for a period. The question then, for the U.S. was: How could such a policy be implemented? How could the U.S. persuade non-Western nations to support its interest and, more generally, the ideology implied in that interest. Certainly not with any overt or otherwise detectable international expression of racism. Such behavior would be, as understated by one scholar, a liability. Thus, the economic concerns of 1944-45 overcame certain racial anxieties and demanded a tactical support for the principle of racial equality.

The multilateral system is that which supported the affluent society; because of the preponderant power the U.S. exercised within it, it also created a false sense that America was "economically independent of the outside world, while the outside (world) was extremely dependent on the U.S."24 And, in part, because of that false sense, the U.S. has been unable to admit certain economic weaknesses. For example, the U.S. could not admit that it was dependent on Third World states and that "foreign aid" was part of the national interest. Such aid was for a long time characterized by some Americans as "give-aways" to "backward" people.

Even though by the middle of the 1960s a growing European Economic Community (EEC) and a vigorous Japan were beginning to give the U.S. considerable challenge within the global economic system that the U.S. had designed, one still heard such claims as "when America sneezes, Europe catches pneumonia" or that the Japanese do not create anything; they merely copy or borrow from U.S. technology.

The EEC and Japan nevertheless continued an unabated challenge to the U.S. which, though enjoying sturdy earnings from foreign investments and international banking operations, found itself having balance of payments problems. By the late 1960s, the Nixon administration sought to pressure America's major trading partners to make certain concessions by unilaterally weakening the Bretton Woods system. However, the partners were not forthcoming.

With plant closings, inflation and rising unemployment during the late 1970s, the editors of Business Week, in 1980, sounded the alarm that the U.S. had sustained "precipitous loss of competitiveness (in) the last 15 years," of which the wave of plant closings was but the most vivid manifestation; that the economy must "undergo a fundamental change if it is to retain a measure of viability" let alone leadership in the remaining 20 years of this century; and that the goal must be "nothing less than a reindustrialization of America."25

The call for reindustrialization was in accord with a theme that was being raised by some:26 that the growth in the loss of manufacturing jobs by the U.S. was not part of the usual business cycle but the expression of a permanent loss of basic industries caused by foreign competition. In other words, America was being de-industrialized.

In the midst of these developments, Third World countries — that group which was expected to remain "fragmented and dependent," in the words of former national security advisor Zbigniew Brzezinski, and from which "nothing important can come,"27 in the words of Henry Kissinger — challenged what had been left of the economic system created by the U.S. in 1944-45. In 1964, through the United Nations Conference on Trade and Development (UNCTAD), Third World nations did what Murphy in the late 19th century had feared: they began to organize as a bloc in order to make effective demands for a change in what they considered the "brutal ground rules" of international economic relations. It was not until a decade later, however, under their proposed NIEO that a comprehensive program was presented to industrial states in general, and the U.S. in particular.
negotiate some compromises but all proved unavailing. During the Carter administration, a plan was devised for a North-South conference to be held in Cancun, Mexico, in 1981, with the hope that it would yield some economic concessions from the North. Indeed, the U.S. began to place emphasis on what one may call managerialism. The latter, sponsored by the Tripartite Commission (composed of influential American, European, and Japanese leaders) espouses cooperation, partnership, collaboration in the handling of an interdependent world, instead of confrontation and unilateral decision-making.

The conference in Cancun—attended by President Reagan rather than Carter—was a failure because Reagan felt that the entire ideological premise of the NIEO was wrong (for it emphasized government intervention in the economy) and, as such, could not commend itself to concessions from the U.S. in particular, and the North in general. But Third World states have been no less determined to act as one in order to effect changes in the global economic structure.

The erosion of the U.S. industrial capacity continued in such a manner that by 1985, for the first time in more than 70 years, the U.S. became a debtor nation. And the financing of the national deficit came from borrowing, principally from the Japanese. By August of 1986, Jeffrey Garten of Shearson Lehman Brothers spoke in terms of America “going begging to West Germany and Japan.”

In economic terms, the U.S. is caught in a bind. Only a basic reorientation can provide any long-term help. Lowering interest rates can help, but only marginally. So, too, can devaluating the dollar. Urging Japan and Germany to purchase more American goods under the threat of using tariffs to keep out their products may be appealing to the uninformed but will do little else, since those countries account for no more than 10 and 4 percent, respectively, of American exports.

Assuming that they wish to purchase more American goods, what will the U.S. sell them? As Garten points out: it cannot be steel, since American steel companies are in poor shape: not agricultural goods, there is a world-wide glut; and in the semiconductor and computer industries, imports will continue to capture an increased share of the domestic market. In the latter regard, the Joint Economic Committee of Congress had predicted that the high-technology sector of the economy from which the U.S. had a $27 billion trade surplus in 1980, will suffer a $2 billion deficit in 1986. Even the financial center is shifting from New York to Tokyo, with the latter’s investment banks replacing America’s.

It is within the context of a nation-state which finds it difficult to admit its own weakness, which is no longer strong enough to force its major trading partners to act as it would prefer, which finds even the previously disorganized Third World unacceptable of its prescriptions for international economic order, and which finds traditional alternatives non-responsive to its problems, that one must reexamine the statement of the Japanese prime minister.

An America, finding itself fallen from its exalted economic standing of the 1950s—and even early 1960s—began asking: Why? What is the cause of this decline? Concurrently another question began to be posed: What is the reason for the success of Japan? The answer frequently given is the education and skills of the Japanese people.

When one speaks of the skills and the literacy of the Japanese, however, one should not think in traditional terms of the capacity simply to read and write. What Galbraith as early as 1967 called the “educational and scientific estate”—that body of educators and research scientists as well as engineers who, when combined with civil servants, journalists and writers, create the basis for the new industrial state—would be more appropriate. Inasmuch as the expression “educational and scientific estate” connotes a degree of elitism, one must urge a broader social view. Japan has been mobilizing its educational system as its principal industry, with the view that what will determine the future economic power of states is not so much gold, territory, savings or capital, but the skill of its population. People must be able to master—in interpret, absorb, process, store, and transmit—vast bodies of information. No longer, for example, will nations be able to succeed economically while hiding the illiteracy of their populations.

In looking at Japan’s success in this rising information age, people began to compare it with the U.S. The weakness of the U.S., it has been claimed, has been the lack of skills among its population. And the chief cause of America’s economic decline, therefore, has been the large number of unskilled people, especially minorities. So the very victim of domestic racial discrimination is now the cause, in the eyes of many, of America’s economic weakness. When the Japanese prime minister made the statement, therefore, he was not saying anything novel; he was merely repeating what had been said time and again in influential circles within the U.S.

Past, Present and Future

From the above historical sketch, one should perceive at least two patterns: First, that just as many white Americans have found it difficult to envision a truly multi-racial national society, so, too, have they found it problematic to conceive of a genuinely multiracial international society.

To meet the economic challenge, the U.S. must seek to have a society which enjoys social solidarity and is highly skilled.

Second, on each occasion when racial antipathies have come into conflict with economic aspirations, a “tactical fix”—no effort to find a real solution—in the area of the former would be effected in order to successfully pursue the latter. Neither of these two patterns can be continued much longer without causing irreparable harm to the national as well as the international community.

People have become more negatively sensitized by racial prejudice, and the global village makes it increasingly difficult, if not impossible, to disguise its expression. Racism, as indicated by Paul Erlich and, to a degree borne out by the November (1986) issue of South, has become no less dangerous than a bomb; and it can explode at any time. So what might be a path to a solution?

The first step for the U.S. is to recognize that the economic challenge it faces is one that, in all likelihood, will become more formidable. That challenge will come from China, India, South Korea, Brazil (from Europe, too) and, even more, from Japan. The latter aspires to economic control of the 21st century through its ascendency in technology. If matters continue as they have the past 15 years or so, Japan could very well achieve its aim.
Japanese have been focusing on Chilian other difficulties — corporate short-term ductors. biotechnology, robotics, ceramics technology, thus, advancing ahead of the these other problems are, however, they are in Blinking and attitudes.

which, hopefully, will sponsor a renaissance cannot be the principal tool; Americans ment to a multiracial society based on come only as a result of a genuine commit­ ment of economic objectives but because those challenges offer an opportunity for an overall reappraisal and transformation. Or America can follow its current course, preserve the disease in its social womb and face the shock of economic backwardness. In the latter event, “scapegoats” — nationally and subnationally — will be looked for, and the U.S. may not be able, materially, to distinguish itself from Nazi Germany. Internationally, there may be war — a trade war, first, and perhaps even a military confronta­ tion — with Japan.

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NOTES

2 Ibid.
5 Ibid.
10 See preamble to UNESCO’s constitution.