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Neocons, Naxalites, and National Demise

By Joseph Fallon - AUGUST 01, 2006

THE NEOCONSERVATIVES HAVE PROMOTED an aggressive U.S. foreign policy that they term "benevolent global hegemony." In other words, they demand, to paraphrase Pat Buchanan, "an empire, not a republic."

What makes the American Empire an unprecedented historical phenomenon—the one instance in which the creed of American Exceptionalism holds true—is that the U.S. government, unlike previous imperial powers, seeks to acquire and maintain an empire from which it derives no economic benefits. In fact, not only is our pursuit of world empire shredding the Constitution (as well as countless lives), it is bankrupting the country.

By the end of 2005, the national debt had grown to $8.1 trillion, or 64.7 percent of GDP. That is nearly six times the amount of currency in circulation. Forty-four percent of that debt was held by foreigners. Of that, 64 percent was held by central banks. Since September 30, 2005, the debt has been increasing at the rate of approximately two billion dollars per day. On a *per capita* basis, it has now reached $28,000. What has been the response of Congress? Reduce spending? Increase taxes? No. In March 2006, it raised the legal debt ceiling to nine trillion dollars to allow for even more government borrowing.

The deficit for 2005 was $726 billion, or 5.8 percent of GDP. In "Does the Widening U.S. Trade Deficit Pose a Threat to the Economy?" Frank Shostak of the Mises Institute writes that,

> As a result of the ballooning deficit, the value of U.S. net external liabilities, expressed at historical cost, jumped to $5.1 trillion in 2005 from $4.3 trillion in 2004. As a percentage of GDP, net external liabilities climbed to 41% in 2005 from 37% in the previous year and 4.9% in 1980.

The Office of Management and Budget reports that the U.S. federal budget for fiscal year 2007 is $2.251 trillion. Of this amount, $1.102 trillion—49 percent—is allocated to the military. The breakdown is as follows: current military, $563 billion; past military (veterans' benefits and financing past wars through loans, savings bonds, *etc*.), $439 billion; and the wars in Iraq and Afghanistan, an estimated $100 billion. (In *The Economic Costs of the Iraq War: An Appraisal Three Years After the Beginning of the Conflict*, however, Joseph E. Stiglitz of Columbia University and Linda Bilmes of Harvard project that the true cost of the Iraq war alone will exceed one trillion dollars.)

If the debt and deficit are not reduced, which is unlikely, since President Bush has asserted that his "War on Terror" will continue into the foreseeable future, the financial practices of the U.S. government may appear to many investors, particularly foreign investors, as a Ponzi scheme. If that perception takes hold, the currency will weaken as foreigners fearing an economic crisis become less willing to invest in U.S. dollars. To continue to attract foreign investment, the Federal Reserve would then have to raise interest rates, perhaps significantly, which could provoke a major recession.

War is one tactic employed by the neo-cons in their quest for global empire; trade is another. And their "free-trade" policy is hollowing out the U.S. economy, which is already suffering from 25 years of deindustrialization as companies relocate their plants to Mexico and (then) Asia, outsourcing U.S. jobs overseas. It is the greatest transfer of wealth in history— from America to Asia.

If current trends continue, Forrester Research, an information-technology consulting firm, expects the number of U.S. jobs outsourced to jump from 400,000 in 2004 to 3.3 million per year by 2015. And it is not just manufacturing and service jobs that are being outsourced. Technology-related jobs, such as “software development, customer service, accounting, back-office support, product development and other white collar endeavors,” are also being sent overseas. According to a study by the University of California, Berkeley, approximately 14 million Americans working as “financial analysts, medical technicians, paralegals, and computer and math professionals could reasonably be considered ‘at risk’” for having their jobs outsourced, while Deloitte Consulting anticipates that three quarters of America’s leading financial institutions will eventually outsource their jobs, with India a prime destination.

Over half of the Fortune 500 companies are already outsourcing jobs. These include American Express, Chase, Dell, Delta Airlines, Hewlett-Packard, HSBC, J.P. Morgan, and Oracle. And, according to a *CNET News.com* and Harris Interactive poll, over 40 percent of U.S. technology executives are willing to pay higher taxes to prevent the U.S. government from prohibiting outsourcing. Outsourcing is too profitable to U.S. companies for them to allow it to be terminated, no matter how damaging it is to U.S. workers. As former U.S. Trade Representative Charlene Barshefsky remarked, “We used to think that displaced workers, given new training, could move up the value chain. There is now a question about whether that upward movement will be possible.”

The profitability of outsourcing is principally derived from differences in salaries and regulations. First, companies often pay foreign workers a fraction of the American wage. For instance, in 2002, the U.S. salary for a software programmer was $66,100; in India, it was $10,000. A mechanical engineer in the United States earned $55,600; in India, $5,900. Here, an IT manager received $55,000; there, $8,500. An accountant earned $41,000 in America, but only $5,000 in India. And financial operations paid $37,625 in the United States, but only $5,500 in India.

Second, companies’ foreign operations are not subject to U.S. laws on pollution, employment practices, workplace conditions, minimum wage, maximum work hours per week, sick days, child labor, safety standards, healthcare, unemployment compensation, and pensions.

Thus, many U.S. businesses benefit from the American Empire, even though the government and citizens of the United States do not. But what about India, an aspiring world power, a junior partner in the U.S. War on Terror, and a beneficiary of U.S. outsourcing?

India sees an alliance with the United States as a way to advance her national interests, including recognition as a nuclear power. New Delhi speaks of a "strategic partnership" with Washington, as reflected in the "New Framework for the US-India Defense Relationship" and the "US-India Global Democracy Initiative" to "promote stability, democracy, prosperity and peace throughout the world." In return for this cooperation, Washington plans "to help India become a major world power in the 21st century," to serve as a counterweight to China.

Integral to this "strategic partnership" is the establishment of a CEO forum of Indian and American business leaders to promote trade and investment in India, which includes promoting the outsourcing of U.S. jobs to India. In its desire to benefit financially from America's empire, the Indian government is blind to domestic repercussions.

India is a land of two extremes locked in a timeless cold war that is now turning hot: the rich, literate, "progressive" urban centers *versus* the poor, illiterate, "traditional" countryside. The former hold political and economic power, but they are outnumbered, surrounded, infiltrated, and, ultimately, at the mercy of the latter should they revolt.

In the 1970's, this environment produced Maoists—called Naxalites after the city of their origin, Naxalbari in West Bengal—who sought a "people's war" of the countryside against the cities. The initial insurgency failed; outsourcing, however, has brought it back to life with a vengeance.

In conjunction with New Delhi's policy of economic liberalization, outsourcing has generated tremendous economic growth in India. With a GDP growth rate exceeding eight percent in 2005, and anticipated to continue apace for the near future, India is the second-fastest growing major economy in the world.

This growth, however, has amplified the disparity in incomes and expectations within cities, between the cities and the countryside, and among the regions. For instance, the disparity in growth rates between what are termed the forward and the backward Indian states rose from 0.3 percent to 3.3 percent. And 106 million people, roughly ten percent of the population, are unemployed. Seventy-five percent live in the countryside. Corruption, disaffection, and alienation have set in.

As a result, within 18 months, the Naxalite insurgency extended its sphere of influence from 76 districts in nine states in 2003 to 156 districts in 13 states by 2005—one quarter of India's territory.

The "Red Corridor" they established linking their "liberated zones" in India with Maoist-controlled territory in Nepal is being expanded into a north-south and east-west corridor spanning all of India. According to Ranjit Kumar Gupta, a former police commissioner of Kolkata who fought Naxalites in the 1970's, a coordinated attack from the Red Corridor could break the country in half, leading to Naxalite "control over huge deposits of minerals, oils, and industrialised territory." The question now is not "if" but "when" it will occur.

There is irony in all this—ex-Trotskyites, American neocons, promoting international capitalism; the flourishing of international capitalism in India fostering the growth of the ultraleftist Naxalites. And there is tragedy. The empire cannot be sustained. Like the god Cronus, it devours its children. It is bankrupting the United States and unraveling India. The former is facing economic implosion; the latter, social explosion.

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